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THESIS

ORGANIZED CRIME IN RUSSIA AND UNITED STATES NATIONAL SECURITY

by

Paul J. Ljuba

December 1996

Thesis Advisor: Mikhail Tsypkin

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19970626 052

DTIC QUALITY INSPECTED 3

REPORT DOCUMENTATION PAGE

Form Approved OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.

1. AGENCY USE ONLY *(Leave blank)*	2. REPORT DATE December 1996	3. REPORT TYPE AND DATES COVERED Master's Thesis

4. TITLE AND SUBTITLE Organized Crime in Russia and United States National Security

5. FUNDING NUMBERS

6. AUTHOR Ljuba, Paul J.

7. PERFORMING ORGANIZATION NAME AND ADDRESS
Naval Postgraduate School
Monterey CA 93943-5000

8. PERFORMING ORGANIZATION REPORT NUMBER

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)

10. SPONSORING/MONITORING AGENCY REPORT NUMBER

11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

12a. DISTRIBUTION/AVAILABILITY STATEMENT
Approved for public release; distribution is unlimited.

12b. DISTRIBUTION CODE

13. ABSTRACT *(maximum 200 words)*

This thesis examines Russian organized crime and its affect on the stability of Russia. There have been numerous assertions by US policy makers that Russian organized crime affects the national security of the United States, so that aspect will also be analyzed. This research examines the structure of organized crime and the illegal activities it engages in. Then, it determines whether the Russian law enforcement system is capable of stopping crime. It also evaluates the threat organized crime poses regarding nuclear smuggling which is considered the most serious threat to US national security. Finally, and most importantly, it puts Russian organized crime in perspective to US national security interests. It concludes that Russian organized crime does threaten the stability of Russia, but it will not destroy the Russian state. Helping Russia fight its organized crime problem is in the interests of the United States and is compatible with the stated foreign policy objectives of the United States.

14. SUBJECT TERMS Russia, Organized crime, United States National Security

15. NUMBER OF PAGES 104

16. PRICE CODE

17. SECURITY CLASSIFICATION OF REPORT	18. SECURITY CLASSIFICATION OF THIS PAGE	19. SECURITY CLASSIFICATION OF ABSTRACT	20. LIMITATION OF ABSTRACT
Unclassified	Unclassified	Unclassified	UL

NSN 7540-01-280-5500 Standard Form 298 (Rev. 2-89)
Prescribed by ANSI Std. 239-18 298-102

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ORGANIZED CRIME IN RUSSIA AND UNITED STATES NATIONAL SECURITY

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Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS

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ABSTRACT

This thesis examines Russian organized crime and its affect on the stability of Russia. There have been numerous assertions by US policy makers that Russian organized crime affects the national security of the United States, so that aspect will also be analyzed. This research examines the structure of organized crime and the illegal activities it engages in. Then, it determines whether the Russian law enforcement system is capable of stopping crime. It also evaluates the threat organized crime poses regarding nuclear smuggling which is considered the most serious threat to US national security. Finally, and most importantly, it puts Russian organized crime in perspective to US national security interests. It concludes that Russian organized crime does threaten the stability of Russia, but it will not destroy the Russian state. Helping Russia fight its organized crime problem is in the interests of the United States and is compatible with the stated foreign policy objectives of the United States.

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EXECUTIVE SUMMARY

Organized crime in Russia has been getting a significant amount of attention in the press and academia recently. There have also been numerous statements made by the heads of several United States government organizations and by politicians leaning toward the conclusion that Russia is being overtaken by the mafia and that the security and stability of Russia is in danger. The purpose of this thesis is to evaluate the threat of organized crime with regard to the stability of Russia and to the national security of the United States. If the threat is found to be real, it will also prescribe actions that the United States should take to lessen this threat.

Russian organized crime relates to United States national security through the stability aspect. The main goals of US policy towards Russia should be stability and democracy: promoting the establishment of a well-ordered, law-abiding Russian society, with a legal system similar to that in the US. Organized crime may threaten this stability in a number of ways. If privatization, democracy, or the free-market economy should fail, Russia's stability could be jeopardized.

The thesis is divided into five chapters and uses content analysis to evaluate what has been written on the topic. The introduction analyzes the current situation in Russia with regard to the following areas: political, economic, military, and social. It lays the foundation that makes Russia susceptible to organized crime. Chapter II discusses the debate surrounding whether organized crime actually exists in Russia, defines organized crime, and then analyzes its structure. It then looks at the crime situation focusing on what is considered "traditional" organized crime such as protection, privatization, and

violence, and how these enterprises effect the economy. Chapter III explores the law enforcement efforts in Russia to see if Russia can handle this problem. The following chapter evaluates the threat organized crime poses regarding the smuggling of nuclear materials from Russia. Nuclear proliferation is undoubtedly the greatest threat to United States national security and possibly the world in the post-Cold War era. The final chapter decides whether organized crime poses a threat to United States national security and whether the United States should help Russia solve its crime problems.

The research points out several conclusions regarding organized crime and the stability of Russia regarding United States national security:

- **Russia is and will continue to be a dynamic environment that provides fertile ground for organized crime to grow.**
- **Organized crime does exist in Russia and controls a substantial portion of the economy (between 35-40% of GDP).**
- **Organized crime does threaten the stability of the Russian economy, the privatization process, and democracy.**
- **Foreign investment in Russia may be deterred due to the effects of organized crime and other problems.**
- **Russian law enforcement, including the police, judicial, and law making process, is inadequate to deal with the Russian mafia problem.**
- **Reform of the whole Russian economic and legal system is required to curb organized crime and should be the first order of business.**
- **The threat of organized crime being involved in the smuggling of nuclear weapons or materials is low. There are other activities that are more profitable and less risky than nuclear smuggling. No extraordinary measures are required to deal with organized crime and nuclear smuggling.**
- **Organized crime does not threaten the vital interests of the United States, but it may threaten its well-being.**

- **The United States should aid Russia in its fight against organized crime. Fighting organized crime in Russia is consistent with the United States' overall foreign policy and the National Security Strategy.**

Russian organized crime will not go away in the near future unless drastic changes, both micro and macro, are made by the Russian government. These changes will be painful for those in power who are dependent on corruption. Reform must start at the top with the elected officials. A complete reform of the Russian legal system is also required. Citizens of Russia will need to feel that the legal system is working for them especially regarding property rights and safety. Stopping police corruption will also be a difficult task but is equally important.

Economic reform is also a critical component in stopping organized crime. Barriers to free trade must be taken down and anyone who wants to start a business should be allowed that right. The tax code must be changed, at the state, regional and local levels, to prevent the government from taking away profits of the businesses and allowing for reinvestment in the Russian economy. A fair tax code would also help the Russian government in collecting taxes; not paying taxes has become a major problem for the Russian government. This also may stop the mafia from threatening to turn in businesses who do not pay their taxes.

The United States seems to be on the right track in dealing with the Russian organized problem and this thesis makes the following policy recommendations:

- **Continue funding for the FBI office in Moscow. It provides a valuable service for American businessmen in Russia and also provides a means for coordinating crime investigations with the MVD. Limits on the FBI's authority should be clearly stated and adhered to so as to not interfere with other US efforts in Russia.**

- **Continue funding for the training programs that enhance the capabilities of Russian officials to conduct better law enforcement. These training programs include, but are not limited to, the International Law Enforcement Academy in Budapest and the training programs conducted by the FBI in Russia and the United States.**

- **US agencies also need to educate American businessmen who want to venture into Russia. They need to be fully aware of the risks involved such as extortion, violence, and the lack of legal protection. A database of known organized criminals needs to be established and made available to these businessmen.**

- **All aspects of Russian organized crime that are international in nature must be aggressively pursued by the United States. This includes drug trafficking, money laundering, and operations conducted in the United States.**

- **The key to solving, or at least slowing down the organized crime problem in Russia is economic and legal reforms. The US should provide any assistance it can to Russia to help them modify their economic and legal systems to discourage organized crime. Economic reform should be geared towards lowering inflation, creating a fair tax code, and creating competitive markets. Legal reform should center on establishing contract and property laws and creating laws that are tough on crime but still protect civil rights.**

I. INTRODUCTION

Organized crime in Russia has been getting a significant amount of attention in the press and academia recently. There have also been numerous statements made by the heads of several United States government organizations and by politicians. All of these articles and statements lean toward the conclusion that Russia is being overtaken by the mafia and that the security and stability of Russia is in danger. Russian organized crime is a relevant topic due to the fact that the directors of both the Federal Bureau of Investigation (FBI) and Central Intelligence Agency (CIA) have said that United States national security is affected by Russian organized crime. The following is a sample of these statements:

- But the central question about crime, really, is its affect on Russian attitudes towards the revolutionary transformations in their own country. It is going to determine their future stability, and by implication our own.[1]
- The alternative [to not helping Russia] is a criminal state with nuclear weapons. And that's something we thought we just finished living with for the last 50 years.[2]
- Crime, and particularly organized crime, has become one of the most dangerous forces to arise from the collapse of the Soviet system. . . and it may ultimately pose a threat to peace not only in that region of the world, but others as well.[3]

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1 Statement of Stephen Handelman, author of *Comrade Criminal: Russia's New Mafiya* and an expert on Russian organized crime. "Briefing on Crime and Corruption in Russia", Commission on Security and Cooperation in Europe, Washington D.C., Jun 10, 1994, p. 10.

2 Statement of Stephen Handelman. Ibid, p. 15.

3 Statement of Senator Sam Nunn before the Permanent Subcommittee on Investigations, "International Organized Crime and its Impact on the United States", 103rd Congress, May 25, 1994, p. 1.

- In addition, we have deep concerns about the future of democracy in Russia in light of the growing strength of these crime groups. The end of democracy in Russia would certainly endanger peace for the entire world.[4]
- The success or failure of President Yeltsin and the Russian government in meeting this threat [organized crime] will affect both the future of Russia and the national security interests of the United States.[5]

This thesis evaluates the threat of organized crime with regard to the stability of Russia and to the national security of the United States. If the threat is found to be real, it will also prescribe actions that the United States should take to lessen this threat. Since the end of the Cold War, nonmilitary threats have arisen that may affect the national security of the United States. Paul Kennedy makes the following argument in his book, *Preparing for the Twenty-First Century*.

> Forces for change bearing down upon our planet could cause instability and conflict in the future, and that governments and peoples need to reconsider their older definitions of what constitutes a threat to national and international security...there now exist vast *non*military threats to the safety and well-being of the peoples of this planet which deserve attention.[6]

While Kennedy did not specifically mention crime as one of these threats, it does qualify as a nonmilitary threat. Robert A. Kaplan in his article "The Coming Anarchy" pointed out the significance of crime in the future, "West Africa is becoming the symbol of worldwide demographic, environmental, and societal stress, in which criminal anarchy

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4 Statement of Louis J. Freeh, Director of the FBI, Ibid, p. 12-13.

5 Statement of R. James Woolsey, Director of Central Intelligence Agency, Linnea P. Raine and Frank J. Cilluffo, eds., *Global Organized Crime: The New Empire of Evil*, (Washington: CSIS, 1994), p. 136.

6 Paul Kennedy. *Preparing for the Twenty-First Century*, New York: Vintage Books, 1993), p. 14.

emerges as the real 'strategic' danger."[7] Parallels can be drawn between Russia and West Africa with regard to crime and stability.

Russian organized crime relates to United States national security through the stability aspect. The main goals of US policy towards Russia should be stability and democracy: promoting the establishment of a well-ordered, law-abiding Russian society, with a legal system similar to that in the US or others in Western Europe. Organized crime may threaten this stability in a number of ways. If privatization, democracy, or the free-market economy should fail, Russia's stability could be jeopardized. While organized crime is not the only factor that could cause the failure of any of these variables, it is worth exploring.

A. METHODOLOGY AND ORGANIZATION

Based on the statements made earlier in the chapter, this thesis analyzes organized crime based on the stability of Russia using current research and material written by journalists and authors. While material written by journalists does not necessarily fit the criteria of "academic" work, in some cases it is the only insights available with regard to organized crime.

The rest of the introduction is devoted to the current situation in Russia with regard to the following areas: political, economic, military, and social. It lays the foundation that makes Russia susceptible to organized crime. Chapter II discusses the debate surrounding whether organized crime actually exists in Russia, defines organized crime, and then analyzes its structure. It then looks at the crime situation focusing on

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[7] Robert Kaplan. "The Coming Anarchy", *Atlantic Monthly*, Feb, 1994.

what is considered "traditional" organized crime such as protection, privatization, and violence, and how these enterprises effect the economy. Chapter III explores the law enforcement efforts in Russia to see if Russia can handle this problem. The following chapter evaluates the threat organized crime poses regarding the smuggling of nuclear materials from Russia. Nuclear proliferation is undoubtedly the greatest threat to United States national security and possibly the world in the post-Cold War era. The final chapter decides whether organized crime poses a threat to United States national security and whether the United States should help Russia solve its crime problems.

B. CURRENT SITUATION IN RUSSIA

As a backdrop, this section briefly investigates what is occurring in Russia today with regard to the following areas: political, economic, military, and social. "To try to launch simultaneously a political revolution, an economic revolution and a social revolution, in a national culture that was not in fact ready for revolution at all, was to impose an intolerable burden on the Russian people," wrote Peter Reddaway.[8]

1. Political

Politically, since the end of communism, not that much has changed regarding who is really running the country. Yeltsin did replace Gorbachev, but "by and large the people in leadership positions are the same people, the dominant governmental institutions are the same institutions, and the 'mind-set' of the majority of those in power is the same 'mind-set'

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[8] Cited in Stephen Handelman, *Comrade Criminal: Russia's New Mafiya*, (New Haven: Yale University Press, 1995), p. 343.

as it was under Soviet power."[9] Even more disturbing are the current party affiliations that dominate the Duma. Figure 1 shows the breakdown along party lines.[10]

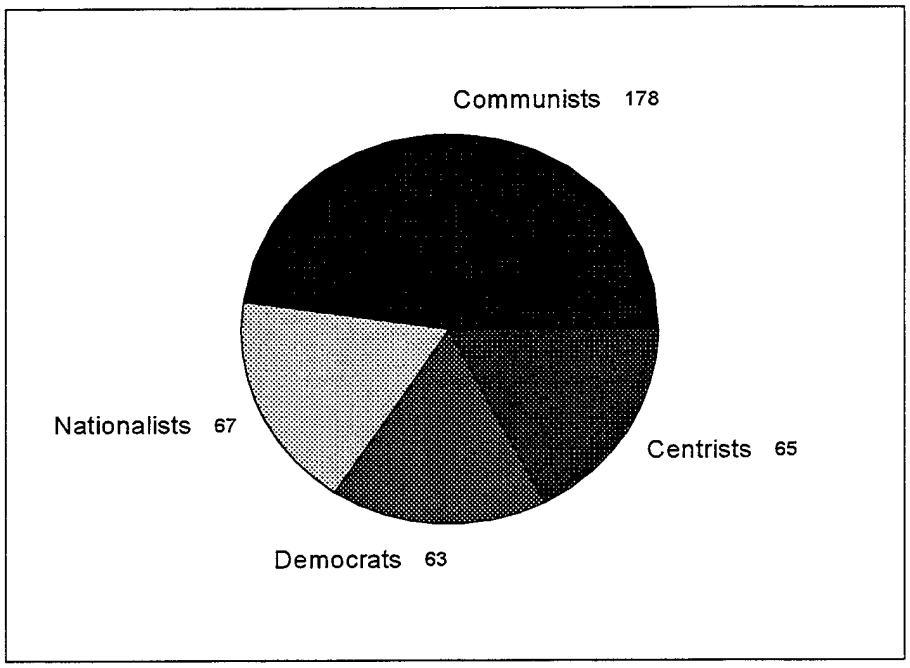

Figure 1: Duma Party Affiliations

The main problem, politically, is that Boris Yeltsin, if he can remain in power, will have trouble getting more reform bills passed. With 65% of the Duma being communists and nationalists he is fighting an uphill battle. Yeltsin appointed Alexander Lebed as his national security advisor in July 1996, and then fired him four months later. One of Lebed's main duties was to try to stop corruption and crime in the government as well as the country. He did not get the chance to rid the government of corruption - maybe because that might have exposed too many high level officials. With Lebed now as an

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[9] Ibid, p. 278.

[10] Information for graph from Peter Reddaway, "Russia's Election Results Revisited," *New Republic*, down loaded via America On-Line, Jan 15, 1996, numerous pages.

outsider, he may be able to do more to fight corruption in government. At the very least, he will be able to stay in the public's view by calling attention to this important problem.

Yeltsin's health is failing and who would succeed him, if he could no longer perform his duties as president, is in question. Lebed's political aspirations are unknown, but it would seem likely that he would win a presidential election if Yeltsin is unable to complete his term.[11] Overall, the political future of Russia is very uncertain.

2. Economic

On the economic side, there have been moderate successes in the Russian economy.

> After 4 years of large annual declines in gross domestic product (GDP) and industrial production, the economy is showing tentative signs of stabilizing. The fall in real GDP has slowed considerably - down 4 percent in the first half of 1995 over the same period in 1994 - and overall industrial production effectively stopped falling in the summer of 1994. Inflation has been declining since the beginning of 1995...However, real wages continue to decline, and roughly 30 percent of the population now live below the poverty line.[12]

But, organized crime has taken its toll in the form of lost revenue because criminals depend on hard currency. The ruble is very unstable, and the criminals and most of the population feel much safer dealing with marks or dollars that can be quickly moved out of the country and that are highly valued for commerce within Russia. The economic reforms have now been going on for several years.

> All measures taken - lifting price ceilings on subsidized goods, lowering barriers to private ownership, the privatization of state firms - merely continued the piecemeal approach that began under perestroika. They benefited only the criminals, swindlers, and Communist autocrats who had

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11 "Russia's Loose Howitzers," *Economist*, October 12, 1996, p. 51.

12 *U.S. Department of State Dispatch*, 7, no 0, Mar 1996.

long since staked their claims to Russia's riches.[13]

In addition to the problems mentioned above,

> Suddenly Russia found itself with the makings of market but with no commercial code, no civil code, no effective bank system, no effective accounting system, no procedures for declaring bankruptcy. What was left over was not very helpful, especially the prevailing notion that it was perfectly appropriate to cheat the state.[14]

3. Military

The military presents itself as an easy target for the mafia. Its officers are underpaid, if they are paid at all, and there has always been a high level of corruption within the military. Alexander Lebed has recently stated that the Russian military was on the verge of a mutiny due to shortages of pay, food, and weapons.[15] "In February of last year (1993) Russian defense officials announced that they planned to discipline 3,000 officers for questionable business practices and that forty-six general officers faced court martial proceedings on corruption charges."[16] There has not been a case of military personnel being involved with the theft of nuclear weapons or materials yet, but this is obviously the greatest threat to US national security and will be discussed in detail in Chapter IV.

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13 Handelman, p. 279.

14 Marshall I. Goldman. "Why is the Mafia so Dominant in Russia?," *Challenge*, 39, no 1, Jan/Feb 1996, pp. 39-47.

15 "Russia's Loose Howitzers," *Economist*, October 12, 1996, p. 51.

16 Seymour Hersh, "The Wild East; Organized Crime in Russia", *The Atlantic*, Jun, 1994, vol 273, no 6, p. 61.

4. Social

Socially, the attitude of the Russian people can be summed up in the following statement:

> The bulk of the people are doing worse under freedom than ever before. People forget how primitive Russia is--it's Third World. Russians are dreaming about indoor plumbing, having a little car, not living with their parents. They can travel. But they have no money. They can now vote. But for whom? They can now say what they want. But so what? They're not better off.[17]

Another problem the Russian people have is crime. Crime affects everyone in Russian society and "Russians now find themselves socially naked, without any legal protection of their interest, or any place in which they can lodge their complaints."[18]

C. CONCLUSION

Overall, the current situation regarding organized crime in Russia can be partly attributed to the void in state power that was left with the collapse of communism. This void allowed organized crime to flourish and take the place of the state in many respects. If you had to describe the state of Russia in one word, that word would be turbulent. It is dynamic in all four of the areas that were just described and is likely to be so for the near future. The next chapter looks at how organized crime has flourished and increased its hold on Russia.

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[17] Ibid, p. 61.

[18] Vladimir Shlapentokh. "Russia: Privatization and Illegalization of Social and Political Life", (Washington Quarterly, vol 19, Winter, 1996), p. 69.

Marshall Goldman offers a theory as to why organized crime flourished in Russia and did not flourish in other Eastern European countries and China.[19] The first reason is that the other countries moved gradually toward a market economy and already had some market economy attributes. The other countries began their reforms by removing barriers to entry into the market. Russia, under Gorbachev, opened the markets to a select few, who then became millionaires, and actually allowed organized crime to grow. When everyone was finally allowed to participate in the economy, the mafia was already imbedded in the economic system. The second reason is that Russia did not turn everything over to the market. The state was very selective in what industries would be turned over. Third, the other countries did not break themselves into republics, as Russia did, and thus did not have the political and ethnic problems. This is not a complete analysis, though, as it does not explain why organized crime is flourishing in Ukraine.

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[19] Goldman, pp. 39-47.

II. CRIMINAL STRUCTURE AND ILLEGAL ACTIVITIES

This chapter analyzes the current crime situation in Russia. It first defines organized crime and then discusses the debate between scholars on whether crime is, in fact, organized. There has been little research in this area as it is difficult to get "insider" information as to how criminal groups operate. Next, it analyzes the structure of organized crime and looks at what illegal activities the mafia engages in. It is not possible to cover all the activities, so it concentrates on protection, privatization, and violence. Finally, it will assess whether crime is a deterrent to foreign investment. A lack of foreign investment in Russia today could affect the future stability of the Russian economy.

A. DEFINITION OF ORGANIZED CRIME

The definition of organized crime is an arrangement of illegal activities of groups of people into an orderly, functional, structured whole. In 1978, Sutherland and Cressey defined organized crime in a similar manner; "An enterprise of this kind (organized crime) qualifies as an organization because specific tasks are allocated to individuals, entrance into the organization is limited, and survival and maintenance rules are delineated."[20] Another similar definition is given by Diego Gambetta, "The hypothesis developed here is that the mafia is a specific economic enterprise, an industry which produces, promotes, and sells private protection."[21] Gambetta sees a strong parallel between the origins of the

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[20] Michael Gottfredson and Travis Hirschi. *A General Theory of Crime*, (Stanford: Stanford University Press, 1990), p. 211.

[21] Diego Gambetta. *The Sicilian Mafia: The Business of Private Protection*, (Cambridge: Harvard University Press, 1993), p. 1.

Sicilian mafia and Russia's mafia. He concludes that the Sicilian mafia evolved at the end of feudalism, when property rights were in question. The same was true with the fall of the Soviet Union and the mafia was able to find its niche in Russia due to the uncertainty of property rights.[22] The Russian mafia was able to provide protection of property when there was no state apparatus or laws to do so.

1. Debate Over the Existence of Organized Crime

Some scholars claim that Russia doesn't have organized crime. Peter Grinenko is the supervisor of detectives in Brooklyn, N.Y. He is also the most outspoken critic of the term "Russian organized crime" or "mafia." He states that, ". . . they [criminals] are not organized; they are individuals. They are fluid - at most, groups. Occasionally, they will tap on each other to perform a scam or a crime. But beyond that, they are not organized."[23] Grinenko is in the minority with this opinion, although he has historical support for such a view. In the United States, J. Edgar Hoover asserted that organized crime did not exist until it was to the advantage of the FBI to admit it. When Hoover realized that it would be his organization that got all of the credit and publicity for arresting members of La Cosa Nostra, he finally publicly stated that organized crime did exist.

Sociologists, Michael Gottfredson and Travis Hirschi, also doubt the validity of the idea that people come together to form criminal groups. "The idea of an organized adversary has always appealed to the law enforcement community and, in turn, to the media, whether the organization be bootleggers in the 1930's, motorcycle gangs in the

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22 Gambetta, p. 252.

23 Testimony of Peter Grinenko. Raine and Cilluffo, eds. , p. 113.

1950's and 1960's, or drug dealers in the 1970's and 1980's...In fact, research routinely fails to find more than anecdotal support for it."[24]

There is a problem with Grinenko's theory that crime in Russia is not organized. During the same testimony, Grinenko says, "By the way, it is not organized crime, it is gangs over there, a gang structure."[25] If Grinenko is defining crime in that fashion, then it is in fact organized, which fits the definition of organized crime stated earlier. The most important aspect of organized crime is the fact that it has structure. A "gang" in and of itself implies structure. There could be a problem of mirror imaging in the case of Russia. By calling it the "Russian Mafia," this brings out images of what people consider the mafia in the United States. In other words, godfathers who control criminal organizations or families with great political power and money. These godfathers control the organization and their word is usually final. Since the same exact structure does not exist in Russia, they assume that crime is not organized. The next section will defend the opinion that crime in Russia is organized by analyzing its structure.

B. STRUCTURE OF ORGANIZED CRIME

The word structure implies that there is a hierarchy to the criminal groups in Russia. Diego Gambetta points out that the mafia operates in well-defined organizational structure, has norms, has a name and its own language, and membership is precisely

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24 Gottfredson and Hirschi, p. 206.

25 Testimony of Peter Grinenko. Raine and Cilluffo, eds., p. 114.

defined.[26] Most authors that are of the view that crime is in fact organized, and usually see it as a simple hierarchy.

> In 1991, according to Russian law enforcement authorities, there were roughly 780 mafia gangs in the former Soviet Union; today, apparently, there are 5,700, including some 3,000 identified godfathers, or 'thieves in law' as they are called, and about 100,000 members and 3 million worker bees, who are responsible for roughly 35 percent of the Russian GDP. They have relations with 29 foreign countries, according to testimony we heard on the Hill last May 25th. They also run more than 200 gangs in the United States.[27]

Claire Sterling, an expert on Russian organized crime and author of *Thieve's World: The New Global Threat of Organized Crime*, describes the mafia as being organized in something like a classic criminal pyramid.[28] Figure 2 shows this pyramid. At the base of this simple pyramid are the common street thugs, who make up the majority of workers. The gang leaders control the street hoods. "The supply group serves as a conduit, ensuring that directives from above are carried out below. The security group is comprised of respectable citizens - journalists, bankers, artists, athletes, politicians - who provide intelligence, legal aid, social prestige and political cover."[29]

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[26] Gambetta, p. 100-101.

[27] Testimony of Claire Sterling. Raine and Cilluffo, eds., p. 106.

[28] Claire Sterling. "Redfellas; Growing Presence of Russia's Mafia", (*The New Republic*, 210, no 15, Apr 11, 1994) p. 19.

[29] Sterling, p. 19.

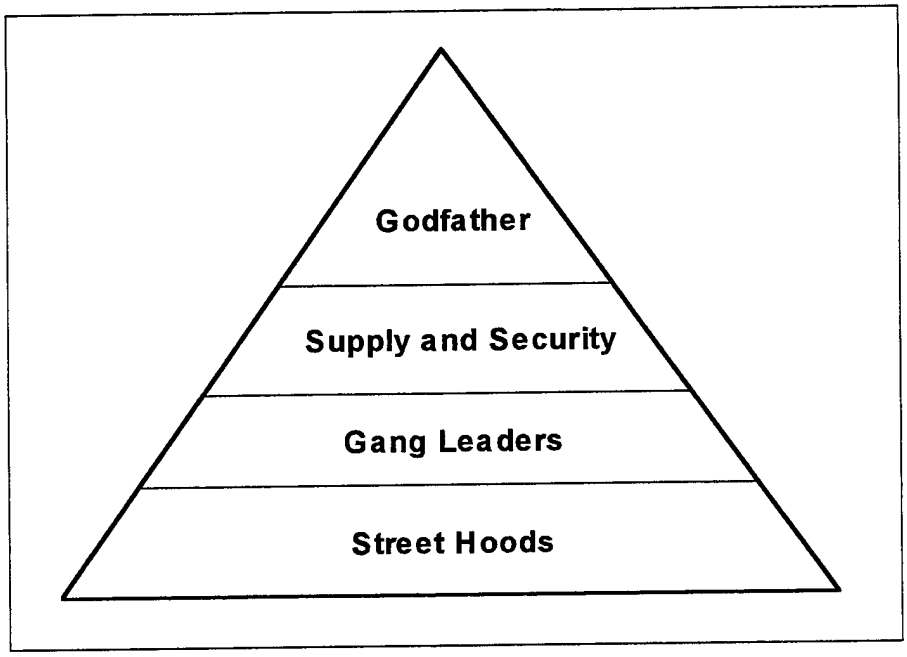

Figure 2: Sterling's Organized Crime Structure

At the top of the pyramid are the godfathers. The term godfather was borrowed from the Sicilian term used to describe the leader of the mafia, but there is a significant difference in that the Russian godfathers are not absolute leaders. "There are 700 known godfathers at large or in prison. Guiding rather than governing, they provide most of the brains for their subalterns. They are not absolute rulers over violently unruly and fiercely competitive gangs. Rather, each sphere of influence is under their control...."[30]

There is no single godfather that controls all of the organized crime groups in Russia. This is a very simplified account of organized crime in Russia, but it does show that there is structure to it. Sterling also points out that these godfathers do meet to discuss policy issues and that their power of enforcement is stronger than the government's.

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30 Sterling, p. 19.

Sterling's hierarchical model was really a mirror image of US. and Italian mafia groups. There is another way to look at the organized criminal groups in Russia that may better describe the true structure. There are several different structural models used in organization and management theory. The structure of organized crime should be evaluated in the context of a legitimate business since it has the same goals: to make money and increase its market share. "The Russian mafiya has no living memory of anything but success and growth, and has ambitions and expectations to match."[31] Organized crime also has some of the same attributes as businesses: structure, strategy, reward system, and culture.

1. Structure and Context

In deciding which type of organizational structure the Russian mafia most closely represents, it is helpful to look at the "structure and context" matrix in Figure 3.[32] Before identifying which structure is applicable, the boundaries of organized crime must be defined. The structure that will be discussed in the upcoming sections refer to a single criminal organization. In other words, it could be just one of the 5700 mafia gangs mentioned earlier. Each organization will be slightly different, but the general structures should be similar.

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31 "Mafiya: Organized Crime in Russia," *Jane's Intelligence Review*, Special Report no. 10, June 1996, p. 4.

32 Henry Mintzberg and James Quinn. *The Strategy Process*, second edition, (Englewood Cliffs: Prentice-Hall, 1991), numerous pages.

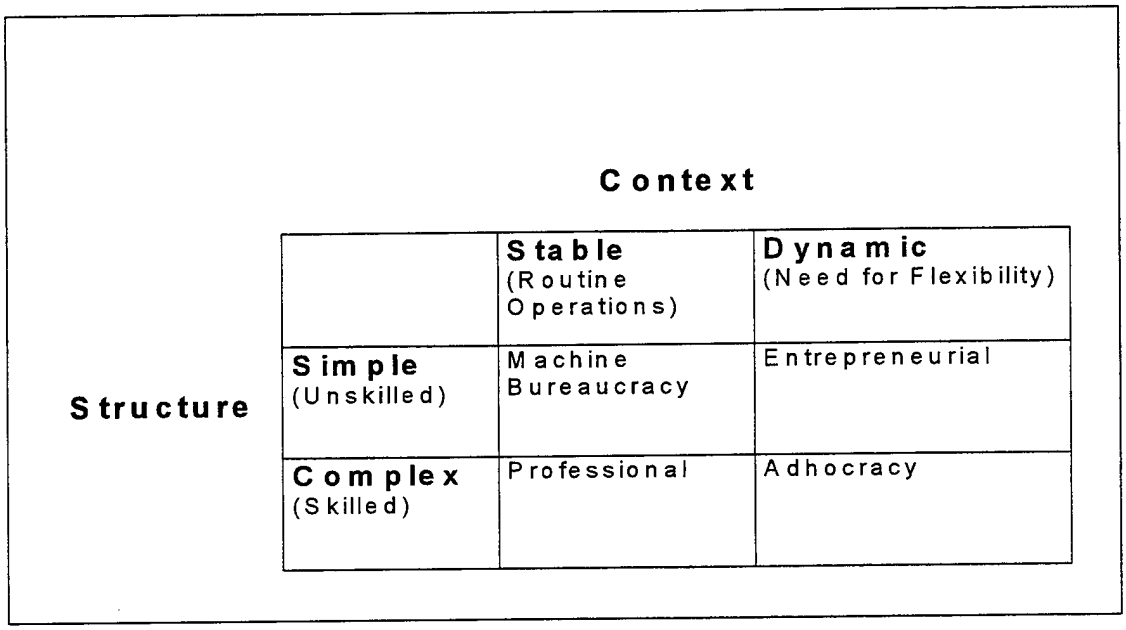

Figure 3: Structure Versus Context Matrix

As discussed in the previous chapter, there is no doubt that Russia is a dynamic environment. Thus, organized crime, or any business for that matter, that is operating in such an environment would have to adapt its structure to succeed. The leaders of organized criminal groups, like any legitimate business, want to succeed. The privatization process in Russia was typical of the fluid environment; where almost everything was up for grabs. Since it is safe to say Russia is a dynamic environment, this leaves a choice between entrepreneurial[33] and an adhocracy structure shown in Figure 3. The next question is whether criminal organizations require a simple or complex structure to conduct operations. Figure 4 shows the differences between entrepreneurial and adhocracy structures.[34]

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[33] Henry Mintzberg classifies an entrepreneurial structure as a simple structure. James Quinn, Henry Mintzberg, and Robert James. *The Strategy Process*, (Englewood Cliffs: Prentice Hall, 1988), p. 531.

[34] Mintzberg and Quinn, numerous pages.

	ADHOCRACY	ENTREPRENEURIAL
Coordination	Mutual Adjustment	Direct Supervision
Structure	Organic, by projects	Simple, informal, flexible
Power	Fluid, selectively decentralized	Centralized, personalized
Context	Complex, dynamic	Simple, emerging fragmented industries
Types	Operating and Administrative	Startup and turnaround, smaller firms
Strengths	Innovative, flexible	Quick, responsive, dedicated, directed
Problems	Inefficient, ambiguous, conflictive	Precarious, restricted
Keys	balancing divergence/ convergence, directing conflict	Sustaining viability

Figure 4: Adhocracy Versus Entrepreneurial Structure

2. Adhocracy Versus Entrepreneurial Structure

It seems that the activities organized crime currently engages in are rather simple: protection, extortion, etc. "Mafiosi are first and foremost entrepreneurs in one particular commodity - protection - and this is what distinguishes them from simple criminals, simple entrepreneurs, or criminal entrepreneurs."[35] Comparing the two structures in Figure 4, it can be concluded that organized crime groups fit more closely into the entrepreneurial or

[35] Gambetta, p. 19.

simple model than the adhocracy. In fact, almost every item on the entrepreneurial side fits into current situation facing organized criminals. "The classical entrepreneurial firm is aggressive and innovative, continually searching for the risky environments where the bureaucracies fear to tread."[36]

As Sterling points out, control is centralized within the Russian mafia and this especially holds true in the entrepreneurial model. "The operation is highly dependent on one individual who can block change as well as initiate it."[37] The characteristics of organized crime groups do not fit exactly into Mintzberg's simple structure. "In a sense, Simple Structure is nonstructure: it avoids using all of the formal devices of structure and it minimizes its dependence on staff specialists."[38] The leaders or godfathers of the mafia do rely on middle-managers to carry out their orders and there is structure to the organization. As organizations grow, they can no longer use the entrepreneurial structure since it works best with small and simple operations. A new structure is also required when an organization moves into more complex endeavors. It is possible, in the future, that organized crime may move from an entrepreneurial structure to an adhocracy.

Henry Mintzberg describes an "adhocracy" as a "loose, flexible, self-renewing organic form tied together mostly by lateral coordination."[39] This best describes what organized crime is about; operating in a fluid environment that rapidly changes in order to

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36 Quinn, Mintzberg, and James, p. 534.

37 Lee G. Bolman and Terrence E. Deal. *Reframing Organizations: Artistry, Choice, and Leadership*, (San Francisco: Jossey-Bass Publishers, 1991), p. 86.

38 Quinn, Mintzberg, and James, p. 532.

39 Bolman and Deal, p. 91.

exploit new opportunities. In comparison to the simple entrepreneurial structure, the adhocracy looks more like what is depicted in Figure 5.[40]

Comparing the two structures in Figure 5 shows that there is no middle line in an entrepreneurial structure. Mintzberg defines the middle line as managers with formal authority. It seems that the structure of organized crime fits somewhere between the entrepreneurial and adhocracy structures since organized crime does have a middle line. The strategic apex is where the major decisions of the organization are made. It defines the mission and strategy for the organization and fits well with the idea of the godfather controlling the organization. While power is usually decentralized in an adhocracy, this is

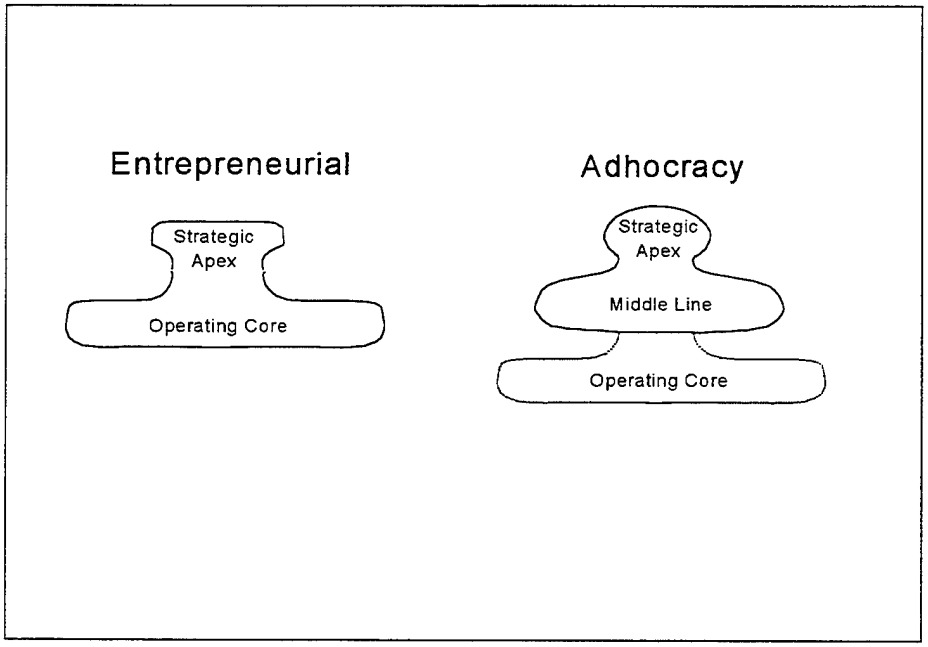

Figure 5: Entrepreneurial Versus Adhocracy Structure

[40] Henry Mintzberg. *Structure in Fives: Designing Effective Organizations*, (Englewood Cliffs: Prentice Hall, 1993), p. 159, 262.

not always the case. "When its environment is dynamic but nevertheless simple, the organization requires the flexibility of organic structure, but its power can remain centralized."[41]

The strategic apex and the middle line in the adhocracy, in Figure 5, represent an intact structure, and the operating core is used on an ad hoc basis. The operating core changes frequently based on the needs or objectives of the organization. This is similar to Sterling's "worker bees," although in an adhocracy these workers are only used when necessary. "Adhoc structures are most often found in conditions of turbulence and rapid change."[42] There is no other environment more turbulent and that has undergone such rapid change as Russia. This was especially true after the collapse of the Soviet Union when most of these organizations were formed. Given the current situation of Russia today, there are new opportunities arising for criminal groups to expand their organizations.

Russian criminal groups will not exactly match the adhocracy model in all aspects. For instance, it is difficult in typical adhocracies to distinguish a formal chain of command. This is not true in Russian criminal organizations, nor is it likely to change. The leaders rely on power for control and there is little doubt about who is in charge. If there is a power conflict, it is often settled quickly and violently. Other than this one difference, the Russian mafia will probably evolve into a structure more similar to an adhocracy than a simple hierarchical or entrepreneurial structure.

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41 Mintzberg, p. 144.

42 Bolman and Deal, p. 91.

Overall, there is structure to organized crime. The problem is that its structure does not fit neatly into a defined ideal structure in organizational and management theory. It has some of the characteristics of a hierarchy that Sterling described, as well as Mintzberg's entrepreneurial model. The current structure of organized crime in Russia probably looks more like Figure 6 since it does not fit an ideal model. The major difference in this model, compared to Sterling's model, is that the security group is now in more of a lateral position rather than in the direct chain of command. The gang leaders that Sterling described would fill the middle line and the worker bees would still provide the operating core.

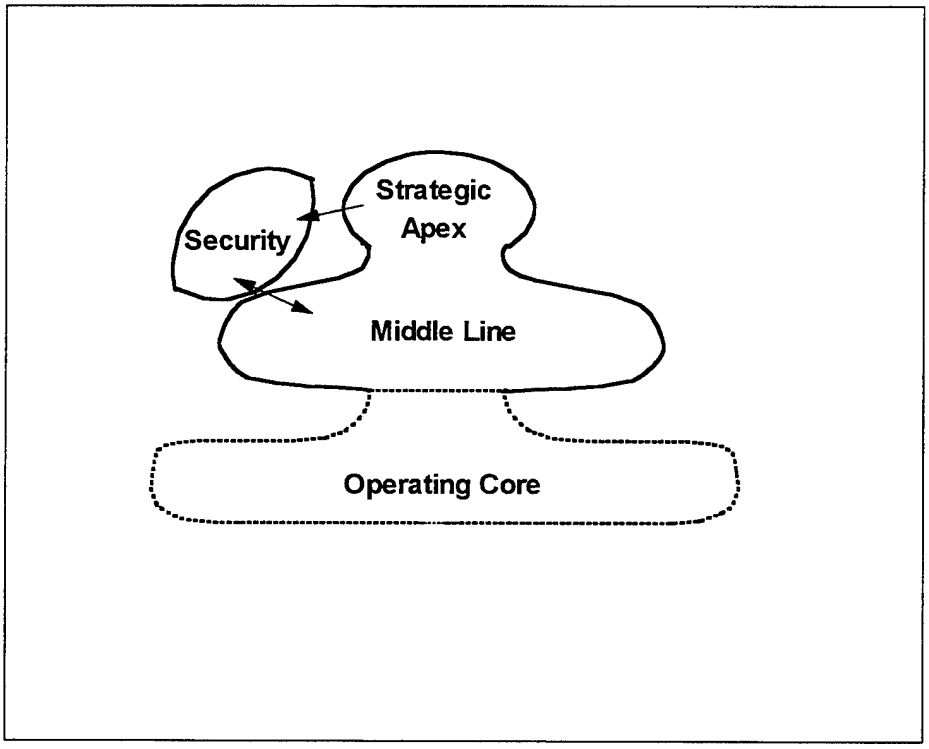

Figure 6: Probable Structure of Russian Organized Crime

As criminal activities in Russia become more complex, the future is likely to see a shift toward a structure that more closely resembles an adhocracy. Recently, there has

been a decrease in the number of criminal groups in Russia.[43] This is to be expected since the mafia organizations strive to have a monopoly. More efficient mafia organizations will drive out less competitive ones in a type of criminal Darwinism. This decrease should not be viewed by law enforcement as a positive sign, as criminal groups are actually increasing their power in Russia. With the basic structure of organized crime now defined, the next section describes the illegal activity that these groups engage in.

C. ILLEGAL ACTIVITIES

1. Protection

The most common activity that the mafia is engaged in is the "protection" industry: the mafia takes a certain percentage of a business's profits in return for protection. Vladimir Shlapentokh describes, in his article "Russia: Privatization and Illegalization of Social and Political Life", the concept of the *krysha* or private roof. "People look for protection by offering rewards on a private basis - either by making special arrangements with state agencies, powerful local bosses, or criminal organizations, or by creating private armies."[44] The most common form of *krysha* is paying money to the criminal organizations for protection, which in reality is extortion or blackmail. "This roof typically costs 10 to 30 percent of their income. As an alternative, business people can choose

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[43] After a sharp increase from 1992 to 1994 in the number of criminal organizations operating in Russia, there has now been a small decline below 5,000. There has also been a leveling off of crimes committed by these groups. "Mafia: Organized Crime in Russia," *Jane's Intelligence Review*, Special Report No. 10, Jun 1996, p. 9.

[44] Shlapentokh, p. 67.

corrupt policemen who, for the same amount of money, will deliver the same protection against criminal gangs."[45]

With organized crime taking that large of a cut from businesses, it will be difficult for new businesses to succeed. On the whole, it has a destabilizing effect on the economy. This also helps to explain why organized crime is responsible for 35% of Russian GDP. Money that could be reinvested in Russia is being laundered and invested outside of Russia. The other option for businesses that do not want to pay the mafia is the police, but "No one goes to the police to complain about the mafia, because the police are the best organized crime group in Russia."[46]

The term *krysha* has found its way into all forms of life in Russia. Big businesses can afford to hire their own private armies as an alternative to paying the mafia for protection. "The members of these private armies are recruited from former police and KGB men, as well as sportsmen. . . Regardless of how well equipped these private armed services are, they must maintain good relations with criminal structures and observe the rules of the game."[47] Shlapentokh points out that there is a hierarchy among *kryshas* with the state roof being on top. The state is interwoven with the criminal elements. "According to some Moscow political scientists, the number of deputies in the national parliament directly connected with organized crime could be as high as 10 to 15 percent."[48] Even Boris Yeltsin had to create his own roof for protection in the form of

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45 Shlapentokh, p. 77.

46 Daniel Brandt. "Organized Crime Threatens the New World Order," (*NameBase NewsLine*, no 8, Jan-Mar, 1995).

47 Shlapentokh, p. 79.

48 Ibid, p. 79.

new state security agencies. "It would be wrong, however, to assume that krysha works, that it offers a reasonable, if inefficient, alternative to the rule of law. In point of fact krysha is a highly unreliable concept."[49] Overall, the protection racket has had a negative effect on the free market economy in Russia. For one thing, it tends to discredit democracy and free-market economies in popular perceptions.

2. Privatization

The privatization process that began in Russia opened the door for organized crime. The privatization of Russia is an important step towards a free market economy and is now in danger of failing because of organized crime. "Russian officials believe that criminals are involved in roughly 40,000 state and private enterprises. Criminal groups are reported to have controlled about one-third of the turnover in goods and services in 1993...."[50]

This privatization process was a massive undertaking, and it came as no surprise to many authors and journalists when criminal elements took control of much of it. But, it is difficult to separate corruption from organized crime as they are often intertwined. "The Director of Central Intelligence recently testified that 30 to 50 percent of the profits of organized crime are now going to buy off Government officials in Russia."[51] But corruption alone poses the same dangers to privatization as organized crime. "The rules for privatization were fluid, corrupt officials were easily come by and most Russians had no money to speak of. Within weeks, the Russian news agency Tass-Krim Press reported

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49 Shlapentokh, p. 77.

50 James Woolsey, Raine and Cilluffo, eds., p. 141.

51 Testimony of Senator William Cohen during a hearing on "International Organized Crime and its Impact on the United States", 103rd Congress, May 25, 1994.

that the mafia had 'privatized between 50 percent and 80 percent of all shops, storehouses, depots, hotels and services in Moscow.'"[52]

The mafia did not have a hard time controlling the privatization process. The state instituted a voucher program to distribute state-owned property and businesses. The state would then publicly auction off the properties and every citizen was supposed to have an equal chance at buying property. The program failed because "The mafia, which was behind the counterfeiting of vouchers and their fraudulent reuse, was directly threatening citizens in an effort to keep them from bidding at privatization auctions."[53] The mafia then bought what they wanted at bargain prices. The privatization process is in definite danger of failing because of the involvement of organized crime.

There is another aspect of Russian society that leads businesses to rely on organized crime instead of the government. It is often more profitable to companies to pay the mafia instead of taxes to the government. The following statement is an example of this:

> At the Hoover Institute last December, former Yeltsin economic advisor Peter Filippov explained how organized crime gets their clutches into newly-privatized businesses. He used the vodka factory as an example. The government demands 80 percent of the factory owner's profits, so the owner declares only 20 percent of his production output. The mafia infiltrates a few men into the factory, and figures out the actual production. Then the mafia boss approaches the owner and threatens to report him to the authorities. The factory owner pays the mafia 50 percent, which is still better than paying the government 80 percent.[54]

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52 Sterling, p. 19.

53 Hersh, p. 61.

54 Brandt, p. 5.

Along with paying the mafia, the business also receives protection: other criminal organizations will not approach them since they usually have strict territorial rules and abide by them. This is obviously a problem for the government when simple economics leads businesses to turn to the mafia to make more money. This has a destabilizing effect because the state loses tax revenue; and the country loses investment funds when the mafia moves the money out of the country.

3. Violence

Violence is another major aspect of organized crime in Russia; it is the topic that gets the most media attention since it is being compared to the Chicago-style gangland murders of the 1920's. "...The mafia's kill rate has climbed to a world record. Once, Soviet leaders taunted America for its sixty-odd murders per day--a mark of capitalist depravity. By 1993 murders in the Russian republic alone ran to more than eighty per day."[55] Violence is used by the mafia as a means and not an end for conducting business. "From 100 in 1992, the number of contract killings in Russia has risen to 500 in 1996, with the prices typically of US $5,000-20,000."[56]

It has been increasingly more dangerous to do business in Russia, unless the right people are paid for protection. A prominent Russian businessman was killed in August, 1995; he was the ninth person killed from a group called the Round Table. The purpose of the Round Table was to lobby on behalf of 270 businesses that were supportive of the government. No one has been arrested in any of the killings. In November 1993, a US embassy worker was killed in Moscow, the first since *perestroika* started. He was an

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55 Sterling, p. 19.

56 *Jane's Intelligence Review*, p. 9.

expert on crime and privatization. Again, no arrests were made. No one is safe in Russia from the violence associated with organized crime, especially foreign businessmen who want to venture into Russia. They know that the risks of doing business are great, but with such an unstable environment, the rewards can also be great. An American who has successfully conducted business in Russia said, of attempting to do business there, that "It is not for the faint hearted or the risk adverse. It's for the bold, or perhaps, what you call foolish."[57]

D. FOREIGN INVESTMENT

The question that has to be answered is whether all of this crime is a deterrent to foreign investors. Foreign investment will be a key factor in whether Russia's economy succeeds. Ideally, the US wants an interdependent Russian economy. This will, it is hoped, bring stability to a very volatile system. One of the problems is that organized crime is funneling money out of the country, and this includes the government's share of taxes. Most of the criminals will not deal in rubles and prefer hard currency such as the dollar or the German mark. Currently, Russian criminals export $1.5 billion a month to Western banks.[58]

Edward Luttwak argues that the mafia is not necessarily bad for Russia in economic terms. He believes that the mafia is a natural evolution in a capitalist

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[57] Statement of Dr. Richard W. Rahn, President and CEO of Novecon, Ltd. *Doing Business in Russia and the NIS: Opportunities and Obstacles*, (Washington: Commission on Security and Cooperation in Europe, June 1994), p. 10.

[58] Linnet Myers. "Russian Mob's Influence Growing, House Panel Told; CIA Director Says Crime is Undermining Reforms, Investment," Chicago Tribune, May 1, 1996, p. 10.

transformation and that the mafia is the only force that can counteract the state-driven monopolistic system.[59] While that fact may be true, it does not explain the low foreign investment in Russia. Total foreign investment in Russia was only $3.3 billion in 1995. Circumstantial evidence suggests a link between relatively low foreign investment in Russia and organized crime. "While the practice of payoffs has traditionally been quite common in Russia, in recent years it has become so widespread and grown to such proportions that it has become a real threat, and consequential hurdle, to Western companies seeking to invest in Russia."[60] Organized crime is not the only problem when investors try to set up shop in Russia. Other problems include: an unstable economy, very high inflation, monetary instability, and official corruption that is not linked to organized crime.

E. CONCLUSION

Russian organized crime has definitely expanded since the end of communism. It is having a negative effect on the economy and creating an environment that is unfriendly towards foreign investment. "In 1995 alone, economic crimes, thefts and embezzlements of state assets cost the government US $4 billion."[61] It is also taking money to pay for protection that could otherwise be reinvested within Russia. Increased violence against businessmen would also have to be considered a deterrent to investors. The Russian mafia groups seem to have little regard for human life and no respect for the law.

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59 Edward Luttwak. "What the Mafia's Good For," *The Washington Post National Weekly Edition*, Feb 12-18, 1996, p. 22-23.

60 Simon, p. 6.

61 *Jane's Intelligence Review*, p. 18.

While there is no quantifiable proof that organized crime has deterred foreign investment in Russia, it does seem like it is contributing. But organized crime will not completely destroy the Russian economy. What it will do is lengthen the transition to a more prosperous economy. Any economic activity, legal or illegal, the comprises 35% of GDP must be given attention by the Russian government. The question remains on whether Russian law-makers and politicians are giving organized crime the proper attention it deserves. The next chapter looks at the law enforcement situation and see if it is capable of dealing with this problem.

III. LAW ENFORCEMENT SITUATION

Looking at Russia from the outside, it seems apparent that Russian law enforcement is inadequate. The 1993 Constitution of the Russian Federation says that it is based on the rule of law and that the state will protect human and civil rights and liberties. Little has been done to promote these ideas. John Deutch recently said that, "Law enforcement agencies continue to be understaffed, underfunded and plagued by corruption."[62] More importantly, "The Russian criminal justice system does not even have definitions of organized crime and associations that reflect the new kinds of production, forms of property and capital, which came to being in Russia during the last five years."[63]

This chapter explores the current situation in Russia with regard to law enforcement. Specifically, it will look at the police, the legal system, and the laws regarding organized crime. The purpose of this analysis is to determine whether the Russian system of law enforcement can curb the organized crime that was described in the previous chapter.

A. POLICE

The notion of police officers in Russia being corrupt, dishonest, and linked to organized crime is not a new concept. This type of activity was apparent long before the collapse of communism. There are numerous examples of the police being "on the take."

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62 Myers, p. 10.

63 Victor Shabalin. "The New Stage of the Fight Against Organized Crime in Russia," IASOC, 1995, p. 1.

The most compelling reason for police to be corrupt is the fact that they are underpaid. "The Interior Ministry (MVD) began 1996 with debts of 3.4 trillion roubles (US $717 million), including 1.3 trillion in unpaid wages."[64] Even the police Anti-Organized Crime Team is underpaid.

"Investigators in Aulov's [head of the Anti-Organized Crime Team] office make salaries of around $160 a month--less than city bus drivers. . . Bribery is so common that some police on the take do not see anything wrong with it: Why not take payment for services rendered?"[65] Another example of bribery was told by Anatoly Kulikov shortly after taking charge as the Interior Minister. "Kulikov sent a truck laden with vodka traveling across southern Russia to gauge the integrity of his highway officers. He later said he was shocked to learn that corrupt police demanded bribes at 22 of 24 checkpoints the decoy passed through."[66] Kulikov also said that police crime has increased fifty-percent over the last five years and that 550 police officers have been tried on corruption charges.[67]

Another problem with the police force is that it is equipped poorly regarding weapons and equipment. While the organized crime groups can afford the best weapons money can buy, the police do not have that luxury. Guns can be easily purchased in Moscow, and most businessmen or their guards are armed with at least a pistol. "For

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64 Jane's Intelligence Review, p. 6.

65 Lee Hockstader, "Russia's War on Crime: A Lopsided, Losing Battle", *The Washington Post*, Feb 27, 1995, p. 2.

66 Stephanie Simon. "Go After Corrupt Officials, Russian Lawmakers Urged", *Los Angeles Times*, Jan 24, 1996, p. A6.

67 Yelena Barsova. "Interior Ministry Collegium Raises Issue of Militia Men with Dirty Hands," *Segodnya*, Jul 24, 1996, p. 6.

Rbs500,000 (about 70 pounds) you can get a simple pistol; it costs more for fancier models, automatic rifles and heavier weaponry."[68] Many of the police are quitting and moving into the private sector, i.e. the mafia. The money that they can make is far greater than being a policeman, and there is less risk. The police are also losing the numerical battle against organized crime. The number of members in the mafia almost equals the number of troops in the Interior Ministry.[69]

When organized criminals are sent to prison, which is a rare event, little changes with regard to who is running their organizations. Mafia bosses are still able to effectively run their organizations from behind bars. "The mafiya is very strong within the prison system, and senior criminals tend to be pampered and protected by other criminals and also bribe and intimidate prison authorities."[70]

B. JUDICIAL SYSTEM

The whole Russian legal system is in disarray. "Whatever the merits of court reform, the system was clearly paralyzed by rising crime rates. Suspects were often released because of the backlog of cases."[71] In order to get a criminal to the judicial system he must first be apprehended by the police. The previous chapter showed how difficult a task that can be and that most criminals are never arrested. "Gangsters are far

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68 John Lloyd. "Violence Turns Moscow Into Gun City: Many Businessmen Hire Bodyguards and Pack a Pistol", *Financial Times*, Sep 2, 1995, p. 3.

69 Alexander Kakotkin. "Triumphant March of Crime," *Argumenty I Fakty*, Jul 24, 1996, p. 8.

70 Jane's Intelligence Review, p. 6.

71 Stephen Handelman, *Comrade Criminal: Russia's New Mafiya*, p. 280.

more likely to be slain by rivals than arrested. The conviction of bribe-taking bureaucrat or corrupt cop would be sensational news here; but such stories almost never appear."[72] There is little or no information available to the West regarding the corruption of judges in Russia, but it is very likely that this is occurring. Everyone else in the system seems to be making money through organized crime and the judges are probably not the exception.

One of the major problems that Russian law makers tackled within the judicial system was that the communist-era judges remained in office. "On June 26, 1992, judges were formally awarded life tenure upon election by local and municipal bodies. This crucial reform was intended to sever in one stroke the former dependence of the judiciary on the Communist Party and protect it from the whims of politicians."[73] But, tenure could also have the negative effect of allowing corrupt politicians to remain in office, even if they were legally elected. Without having to worry about being reelected, as local and municipal judges do in the United States, there is no accountability.

Another problem is immunity. Under Article 122 of the 1993 Constitution of the Russian Federation, judges were given complete immunity. This combination of tenure and immunity gives judges enormous power. Should a judge fall under the power of the mafia, either by choice or coercion, little can be done by the public to remove this corrupt official. Another set back in the prevention of corruption among judges was the passing of the "Law on Combating Organized Crime" by the State Duma in 1995. "Cases related to organized crime will be examined by specially appointed judges. The name of such a

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[72] Sonni Efron. "The Mob Rules in New Russia", *Los Angeles Times*, Feb 26, 1994, p. A1.

[73] Stephen Handelman, *Comrade Criminal: Russia's New Mafiya*, p. 278.

judge will immediately be known to the criminal world, so increasing the possibility of exerting pressure on the judge."[74] In addition, the law passes several other initiatives to aid law enforcement in fighting crime. First, it allows for immunity to criminals who testify against others and complete impunity for giving false testimony. Second, the law allows the police to have unlimited power over any citizen. There are fears that in Russia's battle against organized crime it may return to a police state.[75]

C. LAWS

There has been some progress towards creating laws that will aid the government in controlling organized crime. One of the main problems in dealing with organized crime is the fact that many of these groups use legitimate businesses as a front for their activities. These groups are also able to purchase foreign businesses through the illegal money they have acquired, and further legitimize themselves. It is difficult to distinguish what is legal and illegal in the Russian legal system. The Russian parliament has been working on a crime bill for the past two years that will aid the law enforcement community in slowing down organized crime. "It would ease prosecutions and impose stiff prison terms for organized crime leaders, permit the state to confiscate assets and give the authorities new powers to protect cooperative witnesses."[76]

One problem is that this legislation offends the democratic reformers in Russia who fear that this may go too far in violating the citizen's civil rights. "We see Russia moving

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74 Ivan Maximov. "Any Citizen May Be Arrested Now," *Moskovsky Komsomolets*, Feb 25, 1996, p. 1.

75 Ibid, p. 1

76 Hockstader, p. 2.

very slowly back towards a decision to impose an old Soviet style of imposing order, with all of its attendant complications in terms of civil liberty and human rights, as a way of rescuing their society from the chaos that they see has emerged from it."[77] Another effort to curb crime was seen when the United States offered the services of the FBI to Russia. That project will be looked at in detail in the United States national security chapter.

In recent years, the Russians have passed a new code of civil laws. It has been heralded as being more important than the 1993 Constitution of the Russian Federation. "The code is viewed by some as a bulwark against revanchism, especially if a Communist also wins the presidency in the June 1996 election."[78] The communists did not win the presidential election, but the effects of this new legislation remain to be seen. The Russian people have lost faith in the law, and Russian businesses routinely rely on the use of force to settle disputes. Until the Russian people see the benefits of the new law, it will likely rely on the old methods. This is a step in the right direction, though.

President Yeltsin passed a decree on June 14, 1994 entitled "On the Urgent Measures to Defend the Population Against Gangsterism and Other Kinds of Organized Crime." This decree has been criticized by Russian elites as unconstitutional and violating the rights and freedoms of its citizens. They seem to be correct on that point. On the other hand, there are some who say it does not go far enough and that the military should be used against organized criminals, including the use of summary executions.[79] The

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[77] Testimony of Stephen Handelman, "Crime and Corruption in Russia", June, 1994, p. 14-15.

[78] David Hoffman, "Russia Gets New Laws for Free Market", *Washington Post*, Mar 7, 1996, p. A6.

[79] Shalabalin, p. 2.

following is some of the provisions of the decree: police can conduct an investigation against someone believed to be involved in organized crime prior to charges being filed, it allows for inspections of suspects and their relatives financial activities and takes away any confidentiality regarding banking practices, and individuals suspected of organized crime can be denied bail and held 30 days without charges being filed.

Other efforts to fight organized crime have been attempted at the regional level. Moscow has been hit particularly hard by organized crime.

> The latest crime bill for the Moscow region was signed into effect on July 16 (1996) as the hallmark of a new tough-on-crime era. But it is criticized by law enforcement officials as vague and more attuned to cosmetic touch-ups than a radical rooting out of crime. One high ranking officer, speaking on a condition of anonymity, said "This can help city cops sweep vagabonds off the streets, but it has nothing to do whatsoever with fighting organized crime.[80]

There is another possibility that organized crime may provide some stability regarding law enforcement. This is the argument that Luttwak espoused in Chapter II. Since the Russian state does not provide adequate protection for their citizens, the mafia often steps in to settle disputes. "Instead of being a threat to the legal order, then, the mafiya is becoming its rival and even replacement. Wherever and whenever the state fails to fulfill the basic needs of its people this creates a vacuum the criminals can exploit."[81] While the mafia is efficient in settling disputes, it does not help the average Russian citizen who can not afford the mafia's protection. The mafia does help businesses who can afford

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[80] Alessandra Stanley. "There's More Style than Substance in Crackdown on Moscow Crime," *Ottawa Citizen*, July 30, 1996, p. A6.

[81] Jane's Intelligence Review, p. 9.

to pay for protection and who have no legal recourse to settle disputes. This is obviously not the type of stability that Russia seeks in the long-term, but it may be all that Russia has in the short-term. It is difficult to gauge the long-term effects of the lack of a Russian legal system.

D. CONCLUSION

A law enforcement system that works needs to have a minimum of three elements: police that do their job, a judicial system that can convict criminals, and laws that support the efforts of the first two without infringing on the civil rights of citizens. Currently, Russia is failing on all three counts. There is little hope in the near future that this trend will be reversed and organized crime will be stopped or even slowed down. "But any effort to clean out corruption in the Russian government was doomed in advance, because it depended upon the nomenklatura in power to enforce it - and they certainly had no incentive to impoverish themselves."[82] When organized criminals feel that they are in jeopardy of being caught, they have one option to avoid being prosecuted. Along with judges, elected members of the Duma and Russian Federation are given immunity by the 1993 Constitution. Once the criminal is elected, he will no longer be subject to prosecution while he remains in office.

Russia has to decide between freedom and order. How much freedom is the state willing to give up, yet still preserve order? With the recent elections of communists to the Duma and the passing of harsh laws to fight organized crime, it seems that people may be

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[82] Stephen Handelman, *Comrade Criminal: Russia's New Mafiya*, p. 339.

favoring order. "In the longer run, though, it is easy to imagine increased stability in Russia being transformed into authoritarianism...Such a scenario is in no way in the American interest."[83]

[83] David Powell. "Russia's Dynamic Duo Good for U.S.," *Boston Herald*, June 29, 1996, p. 11.

IV. ORGANIZED CRIME AND NUCLEAR SMUGGLING

The proliferation of nuclear weapons or other weapons of mass destruction (WMD) poses the gravest threat to the United States and the world community.[84] Since the collapse of the Soviet Union, this issue has been at the forefront of U.S. national security policy. This chapter focuses on the possible connection between Russian organized crime and nuclear smuggling. The smuggling aspect includes the theft of nuclear weapons, or the trafficking in associated equipment, materials, or expertise. There have been numerous accounts in the media regarding organized crime and the theft of nuclear materials. "At least at this moment there has not been export of major nuclear weapons, though there is increasing trade in radioactive materials..."[85] Is the threat of "nuclear mafia" justified and does the United States need to take extraordinary action against it?

The main question that this chapter asks is what is the likelihood of Russian organized crime becoming involved in the smuggling of nuclear weapons or materials? The first section gives a brief description of the post-Cold War era with regard to nuclear weapons. The second section looks at the security of these weapons and materials, answering the question of whether organized crime has easy access to these weapons or materials. The next part evaluates specific cases of nuclear theft and the involvement of

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[84] The Department of Defense defines WMDs to include nuclear, chemical and biological weapons, and has focused its concerns primarily on ballistic missiles as a means of delivery. Steven M. Kosiak, "Nonproliferation & Counterproliferation: Investing For a Safer World?," *Defense Budget Project*, April, 1995, p. i.

[85] Statement of Louise Shelley. *Crime and Corruption in Russia*, (Washington, D.C.: Commission on Security and Cooperation in Europe, June 1994), p. 5.

organized crime. One case, occurring in Vilnius, will be looked at in depth. The fifth section explores who the buyers are and what drives the market for nuclear materials. The last section evaluates the threat to the United States.

A. POST-COLD WAR ERA AND NUCLEAR WEAPONS

During the collapse of the Soviet Union and the months following it, the main concern of the United States government was whether Russian authorities still had control of their nuclear arsenal. There was also great concern regarding the weapons that were in Ukraine, Belarus, and Kazakstan. This period is now behind us and we believe that Russia successfully maintained control of the weapons. The United States and Russia no longer have weapons targeted at each other and all of the weapons that previously were in Ukraine, Belarus, and Kazakstan now reside on Russian soil.[86] This still leaves Russia with a huge stockpile of weapons that even the Russians can not account for. The Office of Technology Assessment reports that "the total number of nuclear weapons has usually been publicly described as on the order of 30,000, although occasional reports have placed the number as high as 45,000."[87] Trying to obtain an accurate figure of these weapons has been a priority for both the Russians and the United States.

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[86] Ukraine recently sent its last nuclear weapons back to Russia to complete the "Trilateral Statement" agreement, signed in January, 1995 by Russia, Ukraine, and the United States.

[87] U.S. Congress, Office of Technology Assessment, *Proliferation and the Former Soviet Union*, OTA-ISS-605 (Washington, D.C.: U.S. Government Printing Office, September, 1994), p. 60.

There are numerous other facilities where nuclear grade material can be found.[88] Russia has two main research laboratories, Arzamas-16 and Chelyabinsk-70, that are still operational. "In addition, there are at least 20 research reactors, most fueled by highly enriched uranium (HEU), and 28 civilian nuclear power reactors (with 18 more under construction)."[89] These facilities are spread throughout Russia with most of them in remote regions. Many experts feel that HEU and plutonium pose a greater proliferation threat than dismantled or intact nuclear warheads. It is considered much easier to transport weapons-grade material than whole weapons or even warheads. Most experts agree that obtaining a sufficient amount of weapons-grade material is the most difficult aspect of constructing a nuclear weapon. "The technical difficulty and expense of acquiring such material provided the principal barrier against the proliferation of nuclear weapons during the Cold War."[90] Controlling HEU and plutonium is one of the greatest security challenges for the United States and the international community.[91]

Several programs were created to help Russia deal with its nuclear problems. These programs are: the "Nunn-Lugar" Cooperative Threat Reduction (CTR) program, Strategic Offensive Arms Elimination, and the Material Protection, Control and Accounting (MPC&A). The dismantlement of nuclear weapons leads to another problem. Once the weapons are dismantled, they must be transferred to storage sites that are usually

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88 Nuclear grade material consists of highly enriched (>90%) uranium (HEU) or plutonium.

89 *Proliferation and the Former Soviet Union*, p. 60.

90 James L. Ford. "Nuclear Smuggling: How Serious a Threat?," *Strategic Forum*, INSS, no. 59, Jan, 1996, p. 1.

91 John P. Holdren. "Reducing the Threat of Nuclear Theft In the Former Soviet Union," *Arms Control Today*, 26, no. 2, March, 1996, p. 20.

under civilian control. Theft would most likely occur during the transportation phase of the operation. Storage is another problem and is discussed in the next section. "Over the next decade, Russia may try to move as many as 20,000 or 25,000 nuclear weapons through its dismantlement process."[92] Can the Russians maintain adequate security of the nuclear materials once the weapons are dismantled?

B. SECURITY OF RUSSIAN NUCLEAR WEAPONS AND MATERIALS

The issue of whether Russian organized crime is involved in nuclear smuggling would be moot if Russia had security systems in place to safeguard their weapons and materials. In other words, if nuclear materials were adequately secured then there would be less of a chance of smuggling. Security of nuclear weapons in Russia is charged to the 12th GUMO, which is part of the military and is vulnerable to pressures by criminal organizations.[93] Most of the debate has focused on the issue of weapons-grade material at civilian institutions since it is perceived as easier to steal than an intact weapon. These civilian facilities are guarded by Ministry of Interior forces or local militia and police. "Western specialists say this material is guarded by troops of the Interior Ministry, which is underpaid, poorly equipped and riddled with corruption. An Interior Ministry major general was recently arrested for corruption and links with criminal elements. Nuclear

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[92] James Blaker. "Coping With the New 'Clear and Present Danger' From Russia," *Arms Control Today*, April 1995, p. 13.

[93] Graham H. Turbiville, Jr. "Weapons Proliferation and Organized Crime: The Russian Military and Security Force Dimension," (Colorado Springs: INSS Ocassional Paper 10, 1996), p. 33.

materials in the civilian sector could be guarded by the even more corruptible local police."[94]

Security at military sites is believed to be better, but still inadequate by U.S. and international standards. "Military and security forces have ready access to valuable state property; land, air, and sea transport to move that property; and specialized skills that criminal organizations need and can put to good use." [95] An example of the security at one of these highly guarded facilities doesn't support the previous argument that Russian nuclear facilities are secure:

> According to Mikhail Kulik, the special investigator for the Northern Fleet Military Procuracy--and the chief investigator of the Sevmorput division-- potatoes were guarded better than radioactive materials at the time of the theft at Murmansk. 'On the side of the shipyard facing Kola Bay, there is no fence at all. You could take a dinghy, sail right in--especially at night--and do whatever you wanted. On the side facing the Murmansk industrial zone there are ... holes in the fences everywhere. And even in those places where there aren't holes, any child could knock over the half-rotten wooden fence boards.' (But) ... It is difficult to know if the security deficiencies at Sevmorput are typical.[96]

There is concern over the large number of storage facilities used to house tactical nuclear weapons.[97] William Potter of the Monterey Institute of International Studies sees the greatest danger coming from naval nuclear fuel. Some of this fuel is considered

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94 Paul Quinn. "Russia Called Fertile Ground For Nuclear Proliferation," *Boston Globe*, July 3, 1994, p. 12.

95 Turbiville, p. 9.

96 Oleg Bukarin and William Potter. "Potatoes Were Guarded Better: Stealing Nuclear Fuel From the Storage Building at Sevmorput Was - and May Still Be - Easy," *Bulletin of the Atomic Scientists*, 51, no. 3, May 1995, p.46.

97 Ford, p. 4.

weapons-grade material.[98] How did the situation in Russia deteriorate so quickly? "The collapse of the Soviet Union was so swift and so complete that it left a void in the government, economic and social infrastructure of Russia and other successor states. As a result, activities that once were very tightly monitored by the KGB and other control organs of the State, are no longer watched over so carefully."[99] Another result of the economic situation is that Russia does not have the money or resources required to properly dismantle and then safeguard these weapons. The paradox is that they also do not have the money to maintain all of the weapons they own. The maintenance and security costs are too high, and the SRF, Navy, and Air Force does not have the manpower required. The end result is that nuclear materials are easier to steal given the security situation in Russia.

C. SPECIFIC CASES OF THEFT

There have been numerous cases of theft of nuclear materials from Russia. But there are two key points to keep in mind: first, no actual weapons have been stolen and second, no known buyers of nuclear weapons or materials have been apprehended. Of course this is all based on the assumption that the perpetrators would have been caught, and that Russian officials would have known a weapon was stolen. The first point is of significance to Russian officials since they have always proclaimed that their weapons and facilities were secure. This obviously contradicts the previous section which brought

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98 Bukarin and Potter, p. 46.

99 Ford, p. 2.

doubt about the actual numbers of weapons the Russians have, and whether their facilities can prevent theft.

It seemed that 1994 was the year that attention was first focused on this issue, although there were cases that occurred as early as 1992. "There were five instances involving the smuggling to Europe of weapons-usable materials that apparently originated in civilian research laboratories in Russia."[100] In early 1996, Potter proclaimed that there were four confirmed cases of the export of weapons-grade material during the post-Cold War era and three cases that the shipment was stopped before export. There were four more cases of the diversion or export of questionable or non-weapons grade nuclear material.[101] The first seven cases that Potter describes are summarized in Table 1.[102]

Site	Organized Crime	Known Buyer	Perpetrator	Sting
Luch, Podolsk (1992)	No	No	Insider	No
Andreeva Guba (1992)	Possible	No	Insider	No
Sevmorput (1993)	No	No	Insider	No
Tengen, Ger. (1994)	No	No	?	No
Landshut, Ger. (1994)	No	No	?	Yes
Munich, Ger. (1994)	No	No	Insider	Yes
Prague, Czech. (1994)	No	No	Insider	Yes

* Indications that material was from Arzamas-16

Table 1: Specific Cases of Possible Organized Crime and Nuclear Smuggling

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100 *Tracking Nuclear Proliferation*, p. 30.

101 Oleg Bukarin and William Potter. "Potatoes Were Guarded Better: Stealing Nuclear Fuel From the Storage Building at Sevmorput Was - and May Still Be - Easy," *Bulletin of the Atomic Scientists*, 51, no. 3, May 1995, p.46.

102 Ibid, p. 2-5.

Potter feels that this data is interesting, but not statistically significant. He makes several observations from this data. First, there is no evidence that any of the materials came from nuclear weapons. Second, most thefts were conducted by insiders and they had no buyers. It has been reported that in Russia, there were 900 illegal attempts to gain access to nuclear installations. In 700 of these instances, personnel from the installations were involved.[103] Third, the perpetrators were "amateur" thieves looking to make a quick profit. Some authors conclude that many of the materials are diverted unprofessionally and do not pose a threat to the national security of Western nations. The materials primarily threaten the health of those who come in contact with them.[104] Lastly, only one of the seven cases had a possible link to organized crime and there is no solid evidence to prove involvement.[105] This data is dependent on whether all of the material that has been stolen has been identified. What percentage of theft goes unreported? Russian officials admit to these cases of smuggling occurring but draw different conclusions about them.

> According to Andrey Terekhov, head of the Interior Ministry's 8th Main Department, the largest number of crimes related to radioactive materials--52--was registered in 1993-1994. Most of those cases involved theft, illegal possession, and resale of fissile materials that cannot be used for weapons production. Materials stolen from Russian Ministry of Atomic Energy facilities consisted primarily of U-238 only slightly-enriched with U-235. Terekhov stated that even these materials have only theoretical military application. Terekhov noted that in most cases, thieves were ordinary employees of the nuclear facilities. . . Western politicians and

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[103] Arkadiy Romm. "Atom Iz Steklyannykh Banok," *Obshchaya Gazeta*, November 28, 1995, p. 4. (CNS Database, Monterey Institute of International Studies).

[104] Andreas Heinreich and Heiko Pleines, "Russia's Nuclear Flea Market Tempts Smugglers," *Transition*, November 17, 1995, pp. 9-11. (CNS Database, Monterey Institute of International Studies).

[105] Potter, p. 6.

the press created myths about nuclear materials smuggling from Russia in order to obtain control over the Russian nuclear complex.[106]

Other examples that support the hypothesis that most thefts occur from the inside are provided in Figure 7.[107]

- On March 17, 1996, Tanzanian police arrested one individual and seized a container of radioactive cesium.
- On March 14, 1996, Polish police arrested a man for possession of uranium in Bielska-Biala.
- On February 23, 1996, the Belarusian KGB seized 5 kg of cesium-133 which was reportedly sealed in glass containers. According to a U.S. diplomatic report, on January 17, 1996 a Palestinian in Dubai, UAE offered to sell 3 kg of reportedly Russian-origin red mercury to a Lebanese-American businessman.
- On December 28, 1995, the Russian FSB arrested nine members of a criminal organization in Novosibirsk and seized radioactive material that was identified in press reports as "enriched" uranium-235. The material was reportedly transported to Novosibirsk by middlemen, possibly from Kazakstan. The destination reportedly may have been South Korea.
- On November 10, 1995 Hungarian police discovered 26 kg of radioactive material in the trunk of a car and three suspects were subsequently arrested.
- On November 7, 1995, Iranian press reported that Iranian law enforcement arrested 5 Iranians with 9 packets of uranium in Tehran and two other cities. No details were given on the origin, amount, or the enrichment of the material.
- On April 4, 1995, 6 kg of uranium-235, uranium-238, radium, and palladium were found in a Kiev apartment which was occupied by an army lieutenant colonel and a warrant officer. The material reportedly came from Russia.
- On August 28, 1994, a container with radioactive substances was found on a street in Tallinn. On the same day Romanian authorities reportedly arrested several individuals who were attempting to sell 4.55 kg of uranium tetrachloride ("61.9 percent pure uranium") for $25,000 per kilogram.

Figure 7: Examples of Theft of Nuclear Materials

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106 "Russian Militia and Atomic Energy Officials Disprove Myths About Russian Nuclear Mafia," *Segodnya*, October 11, 1995, p. 6. (CNS Database, Monterey Institute of International Studies).

107 Numerous sources from the CNS Database, MIIS.

In another article, Terekhov says that there are no organized Russian mafia groups specializing in nuclear smuggling.[108] Most US experts would agree with that statement to a point. They would agree that until now, no mafia group has been caught and that it is only a matter of time before they get involved. The Russians are very critical of the German "sting" operations, and they should be. The only thing that sting operations really prove is that if you are willing to pay large sums of money, you can buy almost anything. The Russians also believe that the Germans are creating a market for nuclear smuggling by conducting such sting operations. Along with the Russians, the German public is not happy with such operations. When German officials allowed 363 g. of Hu-239 to be brought in on a Lufthansa Flight from Moscow on August 10, 1994, the public felt that it threatened the lives of the passengers and German citizens. There are other documented cases of nuclear theft that support the hypothesis that smuggling is being done by amateurs who are looking for quick profits and that there is no known link to a "nuclear mafia."[109]

D. THE VILNIUS CASE

One case that had a high probability of organized crime and government official involvement occurred in Vilnius, Lithuania. This case did not meet the requirements of being "unambiguous" in Potter's opinion, but he, nonetheless, believes that it occurred.

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[108] "MVD General Reports No Theft of Nuclear Weapons Materials," *Interfax,* (Moscow), October 10, 1995. (CNS Database, Monterey Institute of International Studies).

[109] John Deutch. "The Threat of Nuclear Diversion," Statement before The Permanent Subcommittee on Investigations of the Senate Committee on Governmental Affairs, March 20, 1996. (CNS Database, Monterey Institute of International Studies).

"A five-month investigation by *U.S. News* and CBS's "60 Minutes" provides irrefutable proof that Russian organized crime was behind the mysterious shipment of beryllium seized by police in Lithuania. It is the first hard evidence that Russian crime syndicates have attempted to smuggle nuclear-related materials from the former Soviet Union."[110] The 4.4 tons of beryllium[111] was exported through a company known to have ties to the Russian mafia. The beryllium is believed to have originated at a nuclear research facility near Obninsk, Russia and was sent to Vilnius. "The purchase order for the beryllium, which came from another nuclear research institute in the Sverdlovsk region, was bogus."[112] Some of the beryllium was radioactive as it contained HEU (approximately 200 grams). An anonymous tip led the chief of the organized crime section of the Lithuanian police to a bank vault where the beryllium was stored. There was no known buyer for the beryllium, although *U.S. News* speculates that there was a North Korean buyer who was willing to pay $24 million.

So what elements of organized crime and government corruption were involved in this case? There were many organizations involved in the transfer of the beryllium. It started with Igor Vladimirovich Rudenko who was not known to be involved with organized crime. He was the deputy commercial director of ALT Ltd. in Sverdlovsk and also chief of the Materials and Technical Supply Department of the local nuclear research institute operated by MINATOM. Through his job at MINATOM, he knew of the

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110 Tim Zimmerman and Alan Cooperman. "The Russian Connection," *U.S. News and World Report*, October 23,1995, p. 56.

111 Beryllium is one of the 16 nuclear- related materials that are supposed to be tightly controlled by the 31-member Nuclear Suppliers Group, which includes Russia. Beryllium can be used to increase nuclear weapons explosive power. Ibid, p. 56.

112 Ibid, p. 56.

surplus of beryllium and saw the chance to make a large profit. ALT didn't have the money to pay for the beryllium, so Rudenko went to Yuri Ivanovich Alexeyev, owner of Karate-Do, a Moscow based sports organization with strong ties to organized crime. Karate-Do would finance the operation, which cost 30 million rubles. During this time frame, ALT changed its name to AMI to avoid being noticed. Rudenko sent a phony purchase order to Obninsk and requested 4,000 kgs of beryllium and 9 kgs of cesium to be shipped to AMI in Sverlodlovsk. AMI then went to the Urals Association for Business Development (UADS), an organization that operates under a "roof" of organized crime to have the shipment exported. UADS had no trouble setting up an export license, since the corrupt Sverlodlovsk regional government and its officials stood to make good money off the deal.

The beryllium was to be shipped to a company called VEKA in Lithuania. VEKA bought the beryllium for $2.7 million on speculation from AMI, hoping to sell it for a large profit. AMI grew tired of waiting for VEKA to find a buyer, and found one themselves. An Austrian company, H-Kontor, would pay the $2.7 million. H-Kontor found a buyer in Zurich that was willing to pay $24 million. This buyer was never identified. A delay was caused when the Zurich buyer wanted a sample before paying, which proved costly, because this is when the police found the shipment in the bank in Vilnius.[113]

The Vilnius case shows several important points. First, there was a connection to organized crime and government officials. But this was not a case of organized crime initiating the deal; they were called in for financing and export. It should probably be seen as a case of trying to make a quick profit and not necessarily a new enterprise for the

[113] The Vilnius case was taken from the article by Zimmerman and Cooper.

Russian mafia. Second, it is not that difficult to export items from Russia, especially items that are radioactive, if the right people are paid. Third, beryllium is a material that is not necessarily prohibited from export; in this case it was prohibited because it was radioactive. Fourth, the shipment was not weapons-grade material, although it could have been used in the production of a nuclear bomb. Fifth, this case should be alarming due to the sheer size and weight (4.4 tons) of the shipment. Would it be possible to get an intact nuclear warhead out of Russia? Again, this event seems unlikely but it is possible. Why cesium was requested in the purchase order is a mystery. Beryllium has many non-nuclear uses such as aircraft parts and bicycle frames. The question that remains is who would be prospective buyers and what drives this market?

E. THE BUYERS

Thus far, the evidence has shown that there has not been an identified buyer in any of the cases of nuclear smuggling. At best it has only been speculation as to who the possible buyers could be. The most common suspected end-users are "rogue" states such as Iran, Iraq, Libya, or North Korea. The other possible source is terrorist or sub-national groups. Why would any of these states or groups want to buy nuclear weapons or materials? Simple economics would be the most likely answer. Obtaining weapons-grade material is the most expensive and difficult part of building a nuclear bomb. Why they would want nuclear weapons in the first place is beyond the scope of this thesis, but, "U.S. government studies have concluded that the demand for nuclear materials and weapons is indeed present among the world's would-be proliferant states,

and perhaps among sub-national groups seeking items on behalf of others or for themselves."[114] While certain smuggling routes have been identified, there is no clear pattern as to the possible end-user. Most of the research in this area has focused on routes that lead to Europe.[115] James Ford correctly concludes that "demand-driven" smuggling, if it is occurring, is difficult to quantify. Thomas Whalen and Andrew Williams, in their thesis, assert that Russia is a "buyers market" for nuclear materials.[116] They conclude this because of the poor security at Russian nuclear facilities, the availability of nuclear materials, and the entrepreneurial attitude of the criminals and government officials in Russia. Further research is needed regarding the demand-driven smuggling that James Ford describes.

F. THREAT TO THE UNITED STATES

There is no doubt that preventing the proliferation of nuclear materials is important to the security of the United States and the world. This chapter focused on the issue of whether organized crime was likely to get involved in this enterprise. The likelihood of organized criminals in Russia engaging in this activity should be considered low. Previous chapters have shown the activities these criminals are most likely to engage in

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114 Ford, p. 3.

115 Four possible routes which are used to smuggle nuclear materials from the FSU into Western Europe are identified, they include Poland, Czech Republic or Hungary, Moldova or Rumania, and Turkey or Bulgaria. Sarah Mullen. "Interim Report: The Nuclear Black Market," *CSIS Nuclear Black Market Task Force*, November 25, 1995, p. 12. (CNS Database, Monterey Institute of International Studies).

116 Thomas D. Whalen and Andrew R. Williams. "Entrepreneurial Proliferation: Russia's Nuclear Industry Suits the Buyers Market," (Thesis, Naval Postgraduate School, Monterey, CA, June, 1995).

are: protection, violence, money-laundering, privatization, etc. Crime groups focus on two objectives: money and power. The above illegal activities achieve these objectives and there is no pressing reason for these crime groups to get involved in the smuggling of nuclear weapons. Critics of this would say that there is a pressing reason and that is money. This may very well be true in the future, but has not happened thus far. The money offered would have to be astronomical for them to take such chances. Rensselaer W. Lee III believes that current smugglers are amateurs, but he expects criminals to become involved in the future. Lee also believes that organized criminals place a low priority on nuclear trade.[117]

Multimillionaires are being made in Russia through illegal activity. The opportunity costs of getting involved with the smuggling of nuclear materials are significant. The reward does not justify the risk in this case. Smuggling is an enterprise that requires the participants to cross the border outside of Russia. This is where the Russian mafia's power ends, although in the future they are expected to expand their influence around the world. Presently, it is much safer for them to operate in a familiar environment that they have control over. As previous chapters have shown, their influence within Russia is great. If the Russian mafia did want to get involved in this trade, there is no doubt that they could be successful. The mafia has all the necessary resources within Russia to accomplish the mission: money, protection or roof of government officials and border guards, and the manpower. But dealing outside of Russia presents another problem. They would be subject to investigation by other countries, such

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[117] Rensselaer W. Lee III. "Post-Soviet Nuclear Trafficking: Myths, Half-Truths, and the Reality," *Current History*, October, 1995, p. 343-348. (CNS Database, Monterey Institute of International Studies).

as Germany, who are better equipped than Russia to deal with the problem. Another aspect that is worth future study is the role that international criminal groups play in the nuclear smuggling arena.

The United States should not completely discount the Russian mafia and its possible involvement in nuclear smuggling. Extraordinary action on the part of the United States is not required to deal with the threat posed by the Russian mafia and nuclear smuggling. Addressing the smuggling threat in general should cover any threat posed by the mafia. What can be done to lessen this threat?

Continued funding and support of the CTR program is critical. This will most help Russia in solving the paradox regarding the lack of money in Russia that was discussed earlier. Critics of CTR feel that the U.S. is basically giving money to criminals with no accountability. In the future, should a communist win the presidential election, the United States may be reluctant to fund CTR. Funding for CTR has been continued for FY-97 at $325 million,[118] this is down from $364 million spent in 1996.[119] Steven Kosiak feels that the U.S. should consider "increasing the level of funding provided for those assistance programs most closely related to preventing nuclear proliferation."[120] The budgetary allotment for CTR is spread thin and there are many programs that come under the heading of CTR. While money spent on CTR does not directly combat organized crime, it does take away the source of the problem.

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[118] Steven M. Kosiak. "Analysis of the Fiscal Year 1997 Defense Budget Request," Center for Strategic and Budgetary Assessments, April 1996, p. 16.

[119] Kosiak, "Nonproliferation and Counterproliferation: Investing in a Safer World?," p. 16.

[120] Ibid, p. 69.

In the area of arms control, the United States must lead the way. At best, the United States may be able to get Russia to reduce its stockpile through reciprocity. If Russia sees the U.S. reducing its weapons down to START II levels, the Russians may also do it. But, the United States needs to be cautious in this respect. James Wirtz points out that U.S. nuclear and conventional forces should be designed to overwhelm our potential enemies, not just match our friends capabilities.[121] It is too early to tell if the United States and Russia will continue to have friendly relations. The United States should also implement most of the recommendations of the Nuclear Posture Review regarding weapons stockpiles. These recommendations are stockpile data exchanges, transparency/acceleration of warhead dismantlement, and a stockpile inventory cap.[122] It's fourth recommendation, storing weapons/material under international custody, is highly improbable in today's political environment.

The authors of the Nuclear Posture Review are not alone in thinking that international control of nuclear materials is the preferred method. Fred Iklé calls for international control, but he has no plan that would succeed where the Baruch Plan had failed.[123] James Blaker does have a specific plan for international control. "Both sides would move these weapons and excess material to a secure repository in a third country--monitored either bilaterally or by an international presence and guarded by their

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121 James J. Wirtz. "Is Arms Control Succeeding?," *Arms Control Toward the 21st Century*, Jefferey A. Larson and Gregory J. Ruthay, eds., (Boulder: Lynne Reinner, 1996), p. 166.

122 "Nuclear Posture Review," 1994.

123 Fred Iklé. "The Second Coming of the Nuclear Age," *Foreign Affairs* 75, no. 1, Jan/Feb 1996, p. 127.

own military units--until both countries are confident the final disposal can be accomplished in a fully secure environment."[124] While this plan would help curb smuggling, it is also unlikely to be implemented due to political constraints. Using a third party to store weapons would infringe on the national sovereignty of both the U.S. and Russia.

G. CONCLUSION

This chapter has argued that the threat of nuclear smuggling is real, but that most of cases have involved amateurs who are usually working from the inside. It has also shown that the likelihood of Russian organized crime engaging in this activity is low, but possible. The key element in preventing the mafia access to these weapons or materials is through better safeguards. The CTR program is the cornerstone of this effort. Arms control will only have a significant impact on curbing proliferation if it is coupled with the CTR program. Although the purpose of arms control is to lessen the chance of nuclear war, it may have the negative effect of creating materials that are easily smuggled out of Russia unless proper safeguards are inacted.

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[124] Blaker, p. 13.

V. US NATIONAL SECURITY

It seems, thus far, that organized crime in Russia poses a threat to the stability of Russia. What kind of threat it poses to the United States is the subject of this chapter. This is accomplished by analyzing what has been said on the part of policy-makers, and more importantly, what has been done. There are many critics of US policies towards Russia, and their views offer insights regarding what mistakes have been made.

This chapter first looks at the hierarchy of US policy making that affects Russia, specifically the US national interest and the National Security Strategy. The second section explores, in general, the current US foreign policy goals regarding Russia. Then it looks at US policy regarding crime in Russia, to the extent that one exists. Next, this chapter attempts to answer the question of whether the US should help the Russians fight organized crime. Lastly, it evaluates the current initiatives the US has sponsored to help Russia fight crime.

A. US NATIONAL INTERESTS AND THE NATIONAL SECURITY STRATEGY

Threats to the United States are usually put in perspective of the national interest. The national interest is what should drive all decisions regarding strategy and policy. The problem is that the concept of a national interest is difficult to define. The National Security Strategy attempts to define three types of interests that relate to security.[125] First, vital interests are those that threaten the existence or survival of the United States. The second type are important, but not vital interests that affect the well-being of the United

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125 "A National Security Strategy of Engagement and Enlargement," The White House, February 1996, p. 18.

States. The last type is humanitarian in nature. At this stage, Russian organized crime does not threaten the vital interests of the United States. It might even be stretching it to say that organized crime even threatens the well-being of the United States. What is important to remember is that we are concerned with the stability of Russia. Organized crime is one variable effecting the stability of Russia and should thus be evaluated in the context of an important interest to the United States. Most importantly, Russia is the only country that possesses a vast nuclear arsenal that is capable of inflicting great damage on the United States. That being the case, anything that threatens the stability of Russia is worth acting on.

The 1996 National Security Strategy, for the first time, identifies specific nonmilitary threats such as: population growth, terrorism, international crime, and drug trafficking.[126] These are the same nonmilitary threats that Kennedy, Kaplan, Huntington and others have espoused and believe will be the United States overriding security concerns in the future.[127]

B. US FOREIGN POLICY

In a recent interview, President Clinton cited three objectives for United States foreign policy: first, finish the unfinished business of leaving the Cold War behind; second, dealing with new security threats - organized crime being one of them; and third, building a new structure of opportunity and peace through trade investment and

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[126] A National Security Strategy of Engagement and Enlargement, The White House, February 1996, p. i.

[127] See Kaplan's "The Coming Anarchy," Samuel Huntington's "The Clash of Civilizations," and Paul Kennedy's *Preparing for the Twenty-First Century*.

commerce.[128] Aiding Russia with its organized crime problem fulfills all three of these stated objectives. Organized crime, although present during Soviet times, has flourished with the collapse of the communism. Organized crime is one of the new security threats and it also may be blocking trade and commerce growth in Russia. Thus, fighting organized crime in Russia is consistent with both the administration's stated foreign policy and the National Security Strategy.

C. US FOREIGN POLICY TOWARDS RUSSIA

A firm policy towards Russia has not really been established by the US since the end of the Cold War. "The Clinton policy team appears to be noncohesive, understaffed, and lacking a depth of knowledge on Russia as well as other key regions."[129] Whatever policy course is chosen by the US will affect the US and its citizens. The President set three clear priorities that challenged the power and ingenuity of American leadership: "To support political and economic reform throughout the region; to promote the integration of the New Independent States into the political and economic life of the world; and to reduce the danger posed by Soviet era nuclear warheads and reactors."[130]

This policy needs to be updated to include the new security threats. There is no statement of organized crime mentioned in the Russia policy which seems odd since it is mentioned in the larger goals of US foreign policy. The first of the three main goals

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128 "Foreign Policy; Clinton's Big Objectives Include Peace Through Trade," *New York Times*, July 29, 1996, p. A15.

129 Mark Medish. "Russia: Lost and Found", *Daedalus*, Jun 22, 1994, vol 123, no 3, p. 63.

130 Statement by President Clinton, *US Department of State Dispatch*, Oct 30, 1995, vol 6, no 44, p. 783.

includes the implicit objectives of promoting democracy and free markets. Successful privatization is one of the steps needed to accomplish these objectives. Most of the efforts of the White House and State Department have been in the arena of nuclear weapons security. This was the correct emphasis during the initial years following the collapse of communism as there was doubt about whether the Russian government had adequate control of these weapons. It is still important to emphasize nuclear weapons security, but the policy could be expanded to include other nonmilitary threats.

D. US FOREIGN POLICY TOWARDS RUSSIAN CRIME

It is now apparent that much more is needed if the US wants Russia to achieve democracy and free markets to help Russia become a stable trading partner. "Questions about the extent of organized crime in Russia are being raised these days in public, but not by senior officials of the Clinton Administration."[131] Organized crime is a threat to privatization, as was pointed out in the previous chapters. "To further these principles, the Secretary [of State] announced that the fight against international crime, narcotics, and terrorism would be one of five key areas of US foreign policy in 1995."[132]

While the Secretary of State spoke of "international" crime, that term implies that, by its nature, it is organized crime. There is no doubt that Russia's organized crime has crossed its borders and is now affecting other states. Money laundering is probably the best example of this since the ruble is so weak. Drug trafficking is also a major problem

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131 Hersh, p. 61.

132 James F. Collins. Statement before the Senate Select Committee on Intelligence, Mar 15, 1995, *US Department of State Dispatch*, Apr 3, 1995, vol 6, no 14, p. 270.

with Russia as there are now connections throughout the world. James Collins points out that "U.S. interests are clearly involved as we face this new development. Our most immediate responsibility is to deal with the potential for NIS-generated organized crime and drug trafficking to spill over into the United States."[133] This has already occurred in the United States, but it does not threaten US stability. The focus is on Russia, where organized crime does threaten its stability.

E. SHOULD THE US HELP RUSSIA FIGHT CRIME?

The US can aid Russia with fighting crime, and it should do so. The US has dealt with its own organized crime battles since the 1920's and may be able to offer Russia insights, although the US problems were never as severe as what Russia is dealing with. There are some critics, such as Edward Luttwak, that think that Russia should be left on its own to deal with this problem.

Luttwak sees organized crime as a natural occurrence in Russia's transition to a free market economy and feels that some day Russia, on its own, will acquire the necessary tools to deal with organized crime. Until then, he argues, Russia should be left on its own. There is historical support for that theory regarding the US. Joseph Kennedy, father of President John F. Kennedy, made his fortune as a bootlegger during the prohibition era and his family became one of the most politically powerful families in US history.

Other critics would say that this is strictly an internal problem that should be left to the Russian government. This approach would be consistent with the growing faction in

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[133] Ibid, p. 270.

the United States calling for isolationism. While the internal problem view could easily be argued, allowing Russia to fall apart is in no way in the interest of the United States. Staying engaged with Russia, even if it is only in a small way, is in the overall interests of the United States.

Another option is to take a stance in the middle. "For the foreseeable future, then, while Russia wobbles and oscillates, the West should react with a mixture of pressure, support and patience."[134] This middle stance is what the US will probably do since it will be least offensive to the Russian population and it also will stay within the current US budget restraints. The next section explores the current US initiatives to aid Russia.

F. CURRENT US INITIATIVES TO AID RUSSIA

The main question is, have US actions backed up US declarations of policy? The US has been engaged with Russia in fighting organized crime since 1994. This is when the FBI opened its Legal Attaché office in Moscow. "On the law enforcement side, we have programmed $15.1 million for FY 1995 training programs, and have already trained some 350 law enforcement personnel from Russia, Ukraine, and Belarus...We may decide to conclude a formal and more comprehensive mutual legal assistance treaty - MLAT - with Russia."[135] MLAT would also consist of technical assistance and training of personnel to aid Russia in fighting crime.

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[134] Martin Malia, "The Nomenklatura Capitalists, Who's Running Russia Now?," *The New Republic*, May 22, 1995, vol 212, no 21, p. 17.

[135] Collins, p. 271.

Helping Russia reform its legal system is where US efforts should be concentrated. As chapter three showed, without an adequate legal system to fight crime, there is little hope that law enforcement can be successful. This section evaluates several of the US initiatives designed to help Russia with its organized crime problems including the FBI Legal Attaché system, the International Law Enforcement Academy, and the International Emergency Economic Powers Act. This evaluation will be based on James Woolsey's "three ingredients to battle crime."

1. Three Ingredients to Battle Crime

James Woolsey, a former Director of Central Intelligence, believes three critical ingredients to battle organized crime are required: first, cooperation between the worlds of law enforcement, which includes intelligence; second, cooperation among America's allies and friends; and third, to be smart, creative, flexible, and determined.[136] The idea of using intelligence assets to combat crime has some critics. Daniel Brandt points out that "Too often the CIA has cooperated with the mafia. This is true in the areas of assassinations, but it is also true for smuggling drugs and arms."[137] But Brandt is extremely critical of the CIA as a whole, since it failed to see the collapse of the Soviet Union coming. The CIA was not the only organization that fell short in this regard; few people correctly predicted that event. The intelligence community can obviously provide useful information to law enforcement officials but that information must be carefully guarded. The same type of security that is used with regard to military secrets must be maintained, such as not revealing the source of the information, especially if it is a human source. Conducting

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136 Raine and Cilluffo, eds, p. 143.

137 Brandt, p. 4.

intelligence operations might prove to be a more difficult task than obtaining military secrets from the Russians, since the organized crime groups currently have more technological resources available than the Russian military. It is unlikely that the U.S. military will have any role to play in this and it is also unlikely that the CIA will be able to focus any assets on organized crime.

2. FBI Efforts in Russia

The largest effort by the US has been the opening of an FBI Legal Attaché office in Moscow. The plan was to put two FBI officers in Moscow to help the Russians combat crime. The idea that two FBI officers will have an impact on an organized crime network with over 5,000 gangs is debatable and has fallen under much criticism. The first problem was that the FBI did not have any Russian-speaking officers to send, so the program was delayed for six months. "This is why two FBI agents with no knowledge of the Russian language or crime custom and dependent on local help in confronting organized economic malfeasance have about as much chance as General Custer at the Little Big Horn."[138] Regardless of the criticism, the FBI is adding a third agent to the Moscow office. In the next four years, the FBI plans to double the amount of agents they have working overseas which has come under criticism by other US agencies. "Some U.S. diplomats and intelligence officials have suggested that the FBI plan amounts to empire building. They are concerned with FBI agents stumbling into U.S. spies and drug-enforcement officials doing similar work."[139] But Director Freeh pointed out that

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[138] Craig Copetas. "What a Sloppy Way to Tackle the Tyazhki", *Business Times*, Jul 19, 1994, p. 16.

[139] "FBI Criticized for Overseas Expansion Plan," *San Jose Mercury News*, Aug 20, 1996, p. A6.

"FBI Agents stationed overseas are not intelligence officers; they are not a shadow intelligence agency; and they do not engage in espionage. They are law enforcement agents -- dedicated to fighting organized crime, terrorism, nuclear smuggling, violent crime, drug trafficking, and economic crime."[140] As long as the FBI keeps to this type of activity, there should not be a conflict of interest with other US agencies.

The justification for the Legal Attaché program is that "President Clinton is committed to protecting American citizens and our borders against these threats while strengthening the international structures and institutions that will allow us to build a more integrated global community."[141] In a speech given by the Director of the FBI in 1995, the following objectives were stated for the FBI office in Moscow:

> The FBI's goals are simply stated -- to protect the United States and its people, to enforce our laws. Any American or American company doing business in other countries should take great care to not violate any U.S. laws in their operations abroad. Any such violations will be vigorously investigated by the FBI. We will also cooperate fully with other countries whose laws have been violated by Americans...The basic advice to U.S. companies is to not give in to any extortion demands.[142]

The FBI is in Moscow to help coordinate complaints that American businessmen have. The FBI coordinates with the Ministry of the Interior (MVD) and have established a solid working relationship. Thus far, the FBI and MVD have worked together to solve several major cases. "From July, 1994 to the present, the number of cases worked on by

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140 Statement of Louis J. Freeh, Director of the Federal Bureau of Investigation, before the Senate Appropriations Committee - Subcommittee on Foreign Operations, "Hearing on International Crime," Mar 12, 1996.

141 Vice President Gore, remarks at the US Military Academy, West Point, NY, Oct 17, 1995, *US Department of State Dispatch*, Oct 30, 1995, vol 6, no 44, p. 784.

142 "Speech Before the U.S.-Russia Business Council's Third Annual Forecast Conference," Washington, D.C., Mar 30, 1995.

our Moscow Legal Attaches has increased from 20 to 200."[143] "The FBI office in Moscow has been instrumental in solving a string of financial crimes to the tune of $10.8 million committed by a Russian group of criminals against 24 Russian companies. "[144] Director Freeh describes this as building cop-to-cop bridges between the United States and Russia. Information is also flowing from the United States to Russia in the form of locating Russians in the United States who have fled Russia with large amounts of illegal money.

In addition to working together to solve crimes, the FBI is providing Russia with a more valuable tool with which to fight crime, training. During FY95, the FBI trained 4,400 foreign law enforcement personnel.[145] "The FBI alone has already conducted six separate seminars - four in Russia and two at our training academy in Northern Virginia. More are scheduled throughout the year, mostly in Russia in order to reach the widest possible audience."[146] In addition, the FBI is also performing "in-country training needs assessments."[147] These assessments consist of analyzing a country's law enforcement training system and making recommendations to better improve training and force structure. While training alone will not completely solve Russia's crime problem, it is a step in the right direction. The FBI's efforts have been consistent with Woolsey's three ingredients to fight organized crime in Russia.

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143 "Hearing on International Crime," Mar 12, 1996.

144 Stanislav Kucher. "Russian Mafia Will Be Instantly Crushed If They Lift Up Their Hand Against FBI Agent," *Komsomolskaya Pravada*, Jul 30, 1996, p. 7. Translated by *Russian Digest*, Lexis/Nexis.

145 "Hearing on International Crime," Mar 12, 1996.

146 "Hearing on International Crime," Mar 12, 1996.

147 "Hearing on International Crime," Mar 12, 1996.

3. International Law Enforcement Academy (ILEA)

Another program that shows promise is the International Law Enforcement Academy. It was established in Budapest, Hungary in early 1995. With the aid of other countries, the program is run by the US State Department, the FBI, and the Department of Justice. In FY95 the academy trained 99 mid-level officials who were from Eastern European countries. The plan is to expand the program in FY96 to include 13 other countries, Russia being one of them, and to train 200 officials. "The Academy at Budapest provides an eight-week professional development program similar to our FBI National Academy Program at Quantico."[148] The cost of running the ILEA is $3 million,[149] and is paid for from the Department of State budget.[150] This is money well-spent on the part of the United States. Along with giving other countries training, it may also be helping in the coordination aspect. The relationships that are established at the school may be useful in future investigations for all of the countries involved.

4. International Emergency Economic Powers Act (IEEP)

Several macro type initiatives have been put forth in recent months. One of these, the International Emergency Economic Powers Act, is designed to undercut the financial underpinnings of criminal enterprises. The President has ordered an action plan to combat money laundering throughout the globe by directing the government to identify and put on

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148 "Hearing on International Crime," Mar 12, 1996.

149 *U.S. Department of State Dispatch*, 7, March 1996.

150 Money for this program was made available by the Subcommittee on Foreign Operations under the Freedom Support Act (FSA) and Support for Eastern European Democracies (SEED) funding. "Hearing on International Crime," Mar 12, 1996.

notice nations that tolerate money laundering.[151] This will probably have little effect on these countries since it is usually profitable for them to launder money and it will be difficult to prove. More importantly, this could be seen as an invasion of state sovereignty.

G. CONCLUSION

It is important for the US to aid Russia in establishing laws that will allow the justice system to work and fight crime. Reform must start at the top which will not be an easy task, since it will mean that Russian politicians will have to give up power and influence. The Russian political system was built on power, as most are, so there are substantial institutional problems that have to be overcome. The US could recommend types of legislation that can combat crime. For instance, the US passed the Organized Crime Control Act of 1970 to combat illegal gambling at the federal, state, and local levels. Russia will obviously need more sweeping legislation to cover the numerous types of crimes being committed.

On the surface, it seems that Russia is heading in the right direction by imposing decrees to fight crime. The problem is that this can be a dangerous path for Russia to take as far as the US is concerned. The US wants a stable Russia, but it also wants a Russian system that is based on laws that protect individual rights. The decrees will help law enforcement fight crime, but it does so at the expense of individual rights and should be revised. These decrees also do not get to the real problem, namely the economic policies.

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[151] National Security Strategy, 1996, p. 25.

Russia needs to reform its economic system to promote growth, encourage reinvestment in Russia, and a fair tax system.

VI. CONCLUSIONS AND RECOMMENDATIONS

Russian organized crime will not go away in the near future unless drastic changes are made by the Russian government. These changes revolve around three basic areas: political reform, legal reform, and economic reform. These changes will be painful for those in power who are dependent on corruption. Reform must start at the top with the elected officials. Preventing these officials from falling under the mafia's influence and stopping corruption is the first step in reforming the political system. A complete reform of the Russian legal system is also required. Citizens of Russia will need to feel that the legal system is working for them especially regarding property rights and safety. Some type of contract law must also be instituted to protect individuals, both domestic and foreign, who start businesses. This may reduce the mafia's influence regarding the protection industry. Stopping police and judicial corruption will also be a difficult task but is equally important.

Economic reform is also a critical component in stopping organized crime. Barriers to free trade must be taken down and anyone who wants to start a business should be allowed that right. The tax code must be changed, at the state, regional and local levels, to prevent the government from taking away profits of the businesses and allowing for reinvestment in the Russian economy. A fair tax code would also help the Russian government in collecting taxes. Citizens not paying taxes has become a major problem for the Russian government. This also may stop the mafia from threatening to turn in businesses who do not pay their taxes.

A. RESEARCH FINDINGS

This thesis has pointed out several important points about organized crime and the stability of Russia:

- **Russia is and will continue to be a dynamic environment that provides fertile ground for organized crime to grow.**
- **Organized crime does exist in Russia and controls a substantial portion of the economy (between 35-40% of GDP).**
- **Organized crime does threaten the stability of the Russian economy, the privatization process, and to lesser extent, democracy.**
- **Foreign investment in Russia may be deterred due to the effects of organized crime and other problems.**
- **Russian law enforcement, including the police, judicial, and law making process, is inadequate to deal with the Russian mafia problem.**
- **Reform of the whole Russian legal system is required to curb organized crime and should be the first order of business.**
- **The threat of organized crime being involved in the smuggling of nuclear weapons or materials is low. There are other activities that are more profitable and less risky than nuclear smuggling. No extraordinary measures are required to deal with organized crime and nuclear smuggling.**
- **Organized crime does not threaten the vital interests of the United States, but it may threaten its well-being.**
- **The United States should aid Russia in its fight against organized crime. Fighting organized crime in Russia is consistent with the United States' overall foreign policy and the National Security Strategy.**

1. Possible Russian Futures

What can be said of the future of Russia? Many of the outlooks are bleak. "By now the situation is so chaotic that a return to authoritarian rule may be inevitable. If this

happens, it's likely that it will occur in a climate of hostility toward the U.S."[152] This may be on the strong side, but it is not impossible. Other than the possible diversion of Russian nuclear weapons to third parties, this is the outcome most feared in the US. It is unlikely that the US could implement policies that would assuredly prevent that occurrence. In other words, it will not be possible for the US to change Russian politics. Should the Russian people vote for a return to authoritarian rule, then that is what will happen and the US will have to deal with that problem.

More control by the government will not solve all the problems regarding organized crime. "More control does not necessarily mean increasing government regulations. For example, it is essential that licenses, regulations, and permits be reduced to a minimum...Such regulations and taxes offer too much room for bribery and illegal influence peddling."[153] Even if the Russian people choose a return to authoritarian rule it does not have to be necessarily hostile to the United States, but it will not be in the interests of the US goal of promoting democracy.

Another alternative future could be a Russia that is run by criminals. This could occur, if the mafia gains enough influence to actually dictate policy in government. While this is unlikely, there is a possibility that it could occur and it is something that the US should guard against. Taking a proactive approach in helping Russia solve its problems today may prevent this. This type of future would also lead to more authoritarian type of government.

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152 Brandt, p. 5.

153 Marshall I. Goldman. "Why is the Mafia so Dominant in Russia?," Challenge, 39, no 1, Jan/Feb 1996, p. 39-47.

There is also a small chance that Russia may be taken over by a military coup. With the state of the current military, low morale, not being paid, and poor readiness, this option is not completely unrealistic. President Yeltsin fired Alexander Lebed for planning a military coup, although there was no proof that Lebed was actually planning one.

Russia may choose to aggressively try to rid the country of organized crime. In order to do that it will mean disrupting the current political regime, which is highly unlikely. Corruption is part of the political process and is deeply ingrained. It would also mean drastic reforms of the legal and economic systems. It would be painful, but this is the only way to stop organized crime. This is the option that the United States would most like to see. It may cause short-term instability, but in the long run it is best for Russia and the United States.

The future that seems most likely is that Russia will continue to muddle through its progress towards democracy. It will take care of its organized crime problems, as Luttwak believes, when it is ready. It will resist help from the West, unless it involves being given aid in the form of money. This muddling through will probably take a generation, since it will take that long to get those in power out, namely the diehard communists in the Duma and Russian Federation. The criminals of this future will be indistinguishable from any other legitimate politician or businessman. They will be indistinguishable because as they gain more power, influence, and money, they will be able to buy legitimate businesses and will no longer need the illegal activities to support themselves. This transition will not take a generation, and we could expect to see former mafiosa legitimate within ten years.

B. POLICY RECOMMENDATIONS

1. The FBI Office in Moscow

The FBI office that was established in Moscow is providing a valuable service to American businessmen. As stated earlier, a team of two officers will have little impact on the crime occurring in Russia, but it is a place for US citizens to start if they have a problem with organized crime. It is not in the interests of the FBI or the United States to actively pursue criminals on their own in Russia. They would be unsuccessful at this with such a small team and they have no authority to do so. The best option is to continue working with the MVD to solve crimes. It would also be highly unlikely for the FBI to increase its commitment in Russia substantially since its budget is being cut along with the other US agencies. The goals of the FBI office should be kept simple; provide a place for American businessmen to lodge complaints and act as a liaison between the businessmen and the Russian authorities. Thus far the FBI has been successful at that endeavor.

2. Training

The best initiatives put forth have been the training types of programs. In this author's opinion, this is where the US should focus its efforts. The only way to solve the crime problem is from within Russia. By focusing on the training of Russian officials, the United States will enhance Russia's ability to cope with this problem in the long term. This will appeal to the Russian population if they see their own agencies solving the problem and not depending on US officials to do it for them. which the US could not possibly succeed at anyway. The focus areas of this training should be: surveillance

methods, how to run sting operations, how to use informants, and how to correctly use the witness protection program. What this training will not accomplish is how to instill honesty and integrity into the Russian authorities. Just telling them not to take bribes is not enough.

3. US Businessmen

The US agencies also need to educate American businessmen who want to venture into Russia. They should be made fully aware of the risks involved and of the fact that the legal system will not protect them or their money. They should also be aware of where to go if they have problems with organized crime, namely the FBI office or the commercial attaché in the US embassy. The State Department should have responsibility for this since they already put out travel advisories for all countries. The problem with these travel advisories is that they are not updated frequently nor do they necessarily reflect reality. Timely information will be the key to protecting American entrepreneurs in Russia and elsewhere. Some type of database should be established, either by the FBI or the State Department, that would track cases of known organized crime groups. American businessmen could then check with the FBI or the embassy in Moscow before engaging in business with anyone in Russia.

By aiding American businessmen in Russia, two objectives are met. The first is protecting US citizens abroad and the second is encouraging business investment in Russia. A stable trading partnership with Russia is one of the goals of US policymakers and creating an economic interdependence with Russia will aid in meeting this objective.

4. International Crime

The US can and should aggressively pursue the aspects of Russian organized crime that are international in nature, such as drug trafficking and money laundering. They should also attempt to shut down any connections the Russian mafia has in the US. One avenue that requires further research concerns the efforts the US has made to combat drug smuggling from South America. Can similar tactics be used against criminals in Russia?

5. Economic and Legal Reform

The key to solving, or at least slowing down the organized crime problem in Russia is economic reform. This must be done at the macro and microeconomic levels. "Appointing special commissions and giving more money to the police will help, but it will not solve the problem in Russia any more than it will in the United States...Instead, something must be done to eliminate the underlying economic stimulus to crime."[154] If the United States does anything more to help Russia, it should send over more economic advisors to help them fix these economic problems. The Russians may be reluctant for such help until the economy or crime reaches a crisis. Since the economy is doing better by most standards, this crisis may never occur.

Marshall Goldman points out several areas that Russia needs to concentrate on to help the economy grow and also decrease the mafia's influence. The first is to introduce new competitors to the market. Russia may resist this because they do not want to become a "bazaar" economy. Second, measures must be taken to increasing wholesaling activity. By establishing wholesaling districts, the mafia will find it more difficult to

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154 Goldman, pp. 39-47.

increase their influence and it will create more competition in the market. Third, macroeconomic measures must be enforced such as lowering inflation.[155]

Tax reform is an important part of economic reform, "...because nowhere in the world have government fiscal and tax policies driven so many people (the entire middle class) into a corner, making them engage in shady dealings. To be sure, income tax in Russia has reached 80 to 90 percent," whereas in the West it is much less.[156] By instituting a fair and simplified tax code, the Russian government will see a rise in revenues. Russian citizens will be less susceptible to the mafia's influence when the mafia attempts to undercut the government. In other words, when the mafia can no longer threaten to turn people in to the tax officials for not paying their taxes, their influence will decline and citizens will be more inclined to pay their taxes.

Legal reform is another area that the United States could provide Russia with ample information. There is no shortage of lawyers in the United States who could provide assistance in establishing a fair and effective legal system. While more authoritarian types of legislation may help law enforcement fight crime, this does not further the United States' goal of promoting democracy in Russia.

C. FURTHER RESEARCH

This thesis could not possibly cover all aspects of Russian organized crime. What it did attempt was to take a broad look at the most relevant issues facing both Russia and the United States today. There are many other aspects of organized crime that research

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155 Ibid, pp. 39-47.

156 Kakotkin, p. 8.

could be conducted in. First, what is the threat of organized crime regarding the smuggling of chemical and biological weapons out of Russia? Since Russia has the largest stockpile in the world this could easily be a significant problem for the United States. Second, drug trafficking has also become a serious problem in Russia. How has this affected the United States and what is the connection to South American and the Far East drug cartels? Lastly, international aspects of organized crime were briefly discussed in this thesis, but the extent of this crime and the threat it poses to the United States could also be explored.

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